

CREATING A SHARED CALIFORNIA ECONOMIC STRATEGY:

A Call to Action



Prepared by the California Economic
Strategy Panel
December, 2002



Table of Contents



California Economic Strategy Panel	2
Preface	3
Introduction	4
Panel Findings	5
Recommendations	6
Origin of This Report	8
Addendum I: Technical Advisory Group	11
Addendum II: Agenda and Summary of Meeting on April 11, 2002	15
Addendum III: Agenda and Summary of Meeting on May 23, 2002	19
Addendum IV: Review of Statewide and Regional Policy Reports	25
Addendum V: Summary of Policy Committee Meetings	67
Addendum VI: Agenda and Summary of Meeting on October 10, 2002	73
Addendum VII: Draft Workplan Framework	79
Addendum VIII: Agenda and Summary of Meeting on December 2, 2002	83
Addendum IX: Letter from the California Works Foundation	87

California Economic Strategy Panel

Members

Lon S. Hatamiya, Secretary
California Technology, Trade
And Commerce Agency
Chair

Honorable John Vasconcellos
Member of the Senate

Honorable Bruce McPherson
Member of the Senate

Amy Dean
South Bay AFL-CIO Labor Council

Ricky T. Laster
Multi-Cultural Contractors Group

Lee R. Pearson
Western Territory International Association
of Machinists & Aerospace Workers

Bill D. Simmons
Yuba County Supervisor

Vincent W. Chong
Artfield and Craftsman, Inc.

Donald L. Fowler
TechNet

Jerold Neuman
Allen, Matkins, Leck, Gamble & Mallory LLP

Araceli Ruano
Manatt, Phelps and Phillips LLP

Sunne Wright McPeak
Bay Area Council

Technical Advisory Group

See Addendum I.

Hosts

Allen, Matkins, Leck, Gamble & Mallory LLP

California Chamber of Commerce

City of Oakland

TechNet

California Association for Local Economic
Development

California Foundation for Commerce and
Education

Hill & Knowlton, Inc.

Staff Support

Economic Strategy and Research Group
within the California Technology, Trade and
Commerce Agency

Edward Kawahara, Ph.D.
Principal Consultant

[www.commerce.ca.gov/california'seconomy/
californiaeconomicstrategypanel](http://www.commerce.ca.gov/california'seconomy/californiaeconomicstrategypanel)



Preface

The bipartisan California Economic Strategy Panel was created to develop a statewide vision and strategy to guide public policy decisions for economic growth and competitiveness. The fifteen member Panel is comprised of eight appointees by the Governor, two appointees each by the President pro Tempore and Speaker and one each by the Senate and Assembly Minority Floor Leaders. The Secretary of the California Technology, Trade and Commerce Agency serves as the Chair.

This past year, the Panel members engaged in a series of deliberations with economists, experts in infrastructure investments and development, and professionals in regional workforce and economic development. The members heard the need for state government to take the lead in critical areas that impact the growth and competitiveness of the California economy.

The continued underperformance of the economy and state government budget crisis call for extraordinary action. In this report, the California Economic Strategy Panel recommends immediate and longer-term actions by the Governor and the Legislature.

For more information on the Panel and its work, see www.commerce.ca.gov, then select California's Economy.



Introduction

The promise of the California economy has been shared prosperity and increasing opportunity for our people and businesses based on productivity, innovation and investment. The remarkable progress of our state's economy has created a strong foundation for our high quality of life.

This economic promise is now threatened as we fail to achieve our potential both in the short term, creating unemployment and budget deficits, and also in the longer term as we fail to make necessary investments in the skills and critical infrastructure required to be competitive. California needs a focused strategy with responsibility shared for the stewardship of the economy by business, workers, communities, education and training institutions, as well as government to ensure the economic well-being of our state and regions.

This is the central finding of the California Economic Strategy Panel, which was established by the Legislature to monitor the performance of the California economy and its regions, report progress, identify critical issues, and make recommendations to the Governor, Legislature and the public. The Panel believes that it is time to be bold – to hold ourselves accountable for the performance of the economy. The Panel also believes that this requires investing in four critical areas, as discussed later in this report, that are the cornerstones for building a shared economic strategy for our state and our regions.



Panel Findings

The following is a summary of critical findings of the Panel that support its recommendations:

- The California economy is under-performing relative to its potential.
- California currently lacks a focused economic strategy with accountability for investment and outcomes. In addition, economic development incorporates a wide variety of government functions and policies, such as education and workforce development, housing, transportation, energy, environmental protection and tax policy. The lack of a unified economic development strategy has resulted in duplication, gaps and state and local government working at cross-purposes.
- Local and state policy-makers require reliable and timely economic data and information about the changing dynamics of industries and economic regions to improve decision-making. Regular monitoring and updating of industry and regional information is also

needed if California is to be competitive in the rapidly changing global economy.

- Economic strategy and workforce development need to be better connected based on real time information and joint planning.
- Infrastructure investment needs to focus on the “triple bottom line” of economic impact, environmental sustainability and equitable development. Numerous reports have documented the need to address the accumulated backlog of maintenance work, as well as the need to fund new infrastructure. During the next 20 years, California infrastructure will have to accommodate about 12 million more people, 6 million more workers and 4 million new homes. New planning methods, new funding sources and new technologies will be needed to handle this enormous challenge efficiently and cost-effectively.
- The state is viewed as a highly desirable place to live by people outside the state, primarily due to its natural amenities and the “California lifestyle.” However, both corporate executives and small business owners view the state as having a costly and unfavorable business climate. Cost concerns include: the levels and complexity of taxes, fees and other assessments; compliance with existing and new regulations; and, workers’ compensation rates combined with low benefits. The cost of doing business is a major factor in the location, retention and expansion of businesses in California.
- State leadership, combined with regional and local economic collaboration is required to ensure better accountability for economic development investments and to promote a stronger California economic leadership network.
- The long-term fiscal health of state and local governments is dependent on a strong and competitive California economy. Ensuring such an economy requires strategic planning and other proactive state economic development efforts.



A large commercial airplane is shown in silhouette, flying from left to right across the frame. The sky is a vibrant mix of orange, red, and purple, suggesting a sunset or sunrise. The word "Recommendations" is centered in the upper half of the image.

Recommendations

The Panel recommends the following *immediate* actions that can be taken by the Governor and the Legislature.

- Make a commitment to work with the California Economic Strategy Panel to develop a long term shared economic strategy, based on better economic data and information that is widely shared, and utilize the Panel to help ensure accountability for economic goals.
- Declare economic goals with measurable outcomes and clear criteria to hold state agencies accountable to these goals. Goals should include rising real per capita income, job growth, new business creation, growing private sector investment, increased minority entrepreneurship and reduced income inequality.
- Work with state agencies and the Legislature to create a unified economic development budget, including both tax and regulatory incentives and spending to achieve these clear economic goals.
- Make connecting workforce development and economic development the state's top priority.
- Work with other statewide elected officials to commit infrastructure investments including recently approved bond issues and implementation of AB 857 and *Building Better Buildings: A Blueprint for Sustainable State Facilities* that meet a "triple bottom line" criteria to achieve economic, environmental and equity payoffs.
- Assess the business climate concerns of corporate executives and small business owners, particularly in regards to their impact on the competitiveness of California. Reforms or other state actions should be taken based on the findings of each assessment.
- Complete an inventory of state infrastructure assets crucial to economic development.

- Complete re-appointments and new appointments to the California Economic Strategy Panel for the next biennial cycle.
- Support Governor Davis in leading the National Governors Association's efforts in regional industrial cluster studies and economic growth strategies.

The Panel recommends the following **longer-term actions** by state and local government in collaboration with business, labor, communities, education, training and regional organizations. Key entities would include Workforce Investment Boards, Economic Development Corporations, Collaborative Regional Initiatives and other stakeholders in California's diverse regions.

Investment in the following four critical areas provides the framework for the Panel's work plan for 2003-2004.

- **“Real Time” Economic Data and Information.**

Establish a strategic alliance with the California Workforce Investment Board (CWIB) and the California Employment Development Department (EDD) to: 1) continuously examine the economic base and employment patterns of the Panel's nine economic regions and publish annual *Regional Economic Base Reports*; and, 2) continuously examine industry clusters and cross-regional economic and labor issues resulting in policy recommendations. Also publish semi-annual *Industry Cluster and Cross-Regional Economic and Labor Studies* under an Interagency Agreement and Memorandum of Understanding between the California Technology, Trade and Commerce Agency and the CWIB and EDD, respectively.

Continuously monitor the performance of the economy and measure state investment priorities that leads towards efficiency, equity and sustainable use of land and resources.

- **Connect Workforce Development and Economic Development and Focus on Regions and Industrial Clusters.**

Establish a strategic alliance with the California Workforce Investment Board and the California Employment Development Department, and appoint a member of the California Economic Strategy Panel as an ex officio member of the California Workforce Investment Board.

Serve as leader/convenor by bringing business/industry, labor, education and training leaders and other groups together to discuss economic data and information and develop policy recommendations. Topics for discussion include how the regional economies are changing, and what are the appropriate occupational mixes and wage rates within various industry sectors, considering educational, vocational and skill-set requirements.

- **Infrastructure Investment Focused on the Triple Bottom Line that Achieves Economic, Environmental and Equity Payoffs.**

Establish a coordinating mechanism to develop policy recommendations for the investment of new state bonds for housing, transportation and water in ways that achieve economic, environmental and equity payoffs and more sustainable use of land and resources to support regional economic prosperity.

Lead state government to 1) use available resources in a coordinated and targeted manner to invest in infrastructure that has maximum economic benefit (not invest in infrastructure for the sake of infrastructure); 2) identify better investment models, such as the Alameda Corridor model, for public/private investments and better utilization of assets owned by state government (begin with an inventory of state assets related to infrastructure); and, 3) get beyond localism to support infrastructure of statewide significance and demands, especially regarding telecommunications/information,

intermodal goods movement, water transfer systems and housing.

Convene key decision-makers to 1) identify new sources of funds and new financing methods; 2) develop a planning-driven method versus a project-based or pork barrel approach; and, 3) develop a return-on-investment accountability method for infrastructure investment.

“Tell the story.” Schedule speaking circuits and participate in meetings to 1) voice the critical symbiotic relationship between infrastructure and economic growth and competitiveness; 2) frame what the universe of infrastructure is; 3) identify elements that are the most critical statewide, regionally and locally, short-term and long-term such as the economic impact of lack of housing on productivity and higher costs; and, 4) further the recommendations in *Invest for California: Strategic Planning for California's Future Prosperity and Quality of Life* by the Governor's Commission on Building for the 21st Century.

- **Create a California Economic Leadership Network.**

The Panel lead a California Economic Leadership Network to 1) support regional collaboration through “bottom-up,” statewide public/private partnerships; 2) connect regional innovation to state resources; 3) document the new economic reality that different industry clusters/workers are emerging in each region, and groups in regions are collaborating around distinct strategies to support their unique industry cluster opportunities; and, 4) draft strategies to align state resources and infrastructure with regional industry cluster demands.

Conduct regional forums with groups such as local Workforce Investment Boards, Economic Development Corporations and Collaborative Regional Initiatives to discuss findings from the economic base analyses and how the regional economy is changing.



Origin of This Report

The current members of the California Economic Strategy Panel convened their first meeting on April 11, 2002 (refer to Addendum II). Recognizing that the biennial planning cycle requires the Panel to complete a report by December 31, 2002 the members agreed to develop recommendations and an implementation workplan for 2003 and 2004.

The meeting on April 11, 2002 identified four major themes that would provide the basis for further discussion and analyses. The major themes are:

- **Understanding the Changing California Economy** (Identify and analyze current industry clusters and regional economic development; analyze the impact of globalization, especially the changing nature of supply chains; analyze uneven regional growth, especially the needs of rural economies and disadvantaged urban communities, and how they relate to larger economic regions; and, examine the next regional economies of California driven by new waves of innovation such as bio/life sciences, nanotechnology, telecommunications and new energy technologies);
- **Connecting Emerging Job Trends and Occupational Demands to Workforce Training** (Monitor changing regional economies on a regular basis to report job trends and occupational demands; analyze demographic trends, especially diversity and their impact on regional economies and demands of leading industry clusters; and, connect economic strategy with workforce development strategy on a continuous basis);
- **Adapting Infrastructure to the Changing Economy** (Analyze how the changing economy creates different infrastructure requirements by industry clusters and across regions; analyze how regulatory policies impact infrastructure development such as telecommunications; and, identify innovative ways to invest in

infrastructure such as more efficient materials, construction processes and transportation systems); and,

- **Matching Regional Governance with the “Next Economies”** (Analyze how the new economic realities require examining alternative regional governance models; examine ways to better connect regional economic development efforts with inter-regional partnerships; and, identify ways to better align regional needs with state resources and policies).

On May 23, 2002 the California Economic Strategy Panel convened to discuss with economists, experts in infrastructure investments and development, and professionals in regional economic and workforce development the most critical issues and demands for economic growth and competitiveness and what could be the role of the Panel (refer to Addendum III). The following roles and responsibilities surfaced during the discussion:

- **Economic Analyses** (Identify the drivers of regional economies and job growth; identify and examine opportunities and constraints of leading and emerging industries; and, identify distinct needs of and opportunities for rural and remote economic regions);
- **Issues Identification** (Identify policy issues important for the success of the California economy over the longer term, incorporating broader competitiveness requirements including quality of life and equity considerations; and, identify public sector investment priorities, especially in the context of holistic planning); and,

- **Policy Recommendations and Collaboration** (Serve as a “vortex” for California’s economic future by bringing leading thinkers and professionals together to the table, and helping Californians understand critical prosperity issues and investment needs; provide economic policy leadership across state agencies; develop strategies towards realigning state policies, systems, resources and programs; clarify partnership roles and help link system partners; and, connect regional economies and industry cluster relationships across regions, and communities within regions).

The Panel members divided into groups to work with Technical Advisors for in-depth analyses in the following four policy areas:

- **Infrastructure Policy Committee** (Senator Bruce McPherson, Jerold Neuman, Lee Pearson, Vincent Chong and Ricky Laster);
- **Economic Data and Information Policy Committee** (Donald Fowler and Bill Simmons);
- **Workforce Development and Education Policy Committee** (Senator John Vasconcellos, Bill Simmons, Donald Fowler and Amy Dean); and,
- **Governance and Regionalism Policy Committee** (Sunne Wright McPeak and Araceli Ruano).

A summary review of statewide and regional policy reports published in the past 3-4 years regarding the above four policy areas was completed in a matrix format by Technical Advisors and served as a basis for discussion during committee meetings held in August and September, 2002 (refer to Addendum IV).

On October 10, 2002 reports summarizing discussions and recommendations from each of the policy committees was presented and discussed by the full Panel (refer to Addenda V and VI). Panel members generally agreed that the principal role of the Panel is to provide leadership by serving as a catalyst for connecting regional innovation and economic demands and framing state-level policies and investments through a bottom-up governance process and collaboration. The work of the Panel is to continuously monitor and interpret the performance of the California economy to be able to articulate what is coming and what is needed to prepare for changes.

On December 2, 2002 the Panel members reviewed a draft Workplan Framework and discussed a variety of recommendations based on its findings (refer to Addenda VII and VIII). The members also reviewed and approved a regional industry employment model using EDD Covered Employment and Wages data (ES 202 data) for the Panel to use to analyze the performance and changes of the California economy. Finally, the members agreed to include a letter from the California Works Foundation recommending critical issues the Panel should consider in carrying out its work (refer to Addendum IX).

The final report was completed on December 20, 2002 for presentation to Governor Davis, the Honorable Members of the Legislature and entities having economic development responsibilities.



Addendum I



Technical Advisory Group

California Economic Strategy Panel / Technical Advisory Group

December 2002

Andrew Baron
Executive Director
California Workforce Investment Board

Marney Cox
Chief Economist & Director of
SourcePoint and Economic Planning
and Research
San Diego Association of Governments

Chris Benner, Ph.D.
Department of Geography
College of Earth and Mineral Sciences
Pennsylvania State University

Michael Curran
Director
NOVA Workforce Board

Nick Bollman
President and CEO
California Center for Regional Leadership

Michael Dardia
Vice President
Sphere Institute

Doug Brown
Consultant
Senate Select Committee on
Economic Development

Bruce DeVine, Ph.D.
Chief Economist
Southern California Association
of Governments

Kurt Chilcott
President and CEO
Certified Development Corporation
Small Business Finance Corporation

Denise Fairchild
President
Community Development
Technologies Center

Woodrow W. Clark, Jr., Ph.D.
Senior Policy Advisor
Office of Planning and Research

Doug Gordon
Vice President
California Foundation for Commerce
and Education

Belle Cole
Vice President
The PMR Group, Inc.

Virginia Hamilton
Executive Director
California Workforce Association

Timothy J. Cooley
Managing Director
Global Financial Group

Doug Henton
President
Collaborative Economics, Inc.

Sally Covington
Director
California Works Foundation

Robert Herrell
Staff Director
Senator Jackie Speer

Richard Holden
Chief
Labor Market Information Division
Employment Development Department

Ardie Ivie
Manager
Planning and Systems Development
Office of the President
University of California

Edward Kawahara, Ph.D.
Deputy Secretary
California Technology, Trade and
Commerce Agency

Trish Kelly
Economic Development Consultant

Elisabeth Kersten
Director
Senate Office of Research

Jim King
President
JK, Inc.

Gus Koehler, Ph.D.
Principal Consultant
Time Structures

Joel Kotkin
Senior Fellow
Pepperdine University

Jack Kyser
Senior Vice President and Chief Economist
Los Angeles County Economic
Development Corporation

Pat Lanthier
Principal
Rivera//Lanthier and Associates

Keith Lee
Associate Administrative Officer
San Bernardino County, Economic
Development and Public Services Group

Stephen Levy, Ph.D.
Director
Center for Continuing Study
of the California Economy

Don Mar, Ph.D.
Professor of Economics
San Francisco State University

Randy Moory
Office of the Vice President
Information and Educational Technology
University of California, Davis

Nancy Nishikawa
Assistant Professor
Urban Studies Program
California State University, Northridge

Steve PonTell
President
La Jolla Institute

Anil Puri
Dean
College of Business and Economics
California State University, Fullerton

Jean Ross
Executive Director
California Budget Project

Betty Riley
President
Sierra Planning and
Economic Development

Dan Ripke
Director
Center for Economic Development
California State University, Chico

Barry Sedlik
Chief Operations Officer and CEO of the
World Trade Center Association
Los Angeles Economic Development
Corporation

Rohit Shukla
President and CEO
Los Angeles Regional Technology Alliance

Kim Walesh
Director
Collaborative Economics, Inc.

Wallace Walrod, Ph.D.
Managing Partner
Tech Coast Consulting Group LLC

Goetz Wolff, Ph.D.
Director
Center for Regional
Employment Strategies

Linda Wong
Director
Community Development
Technologies Center

Addendum II

Agenda and Summary of Meeting on April 11, 2002

A g e n d a

April 11, 2002

9:30 A.M. – 12:00 P.M.

California Chamber of Commerce
1215 K Street, 14th Floor
Sacramento, CA 95814
(916) 444-6670

9:30 Welcome

Allan Zaremborg, President and CEO
California Chamber of Commerce

9:35 Self Introductions, Purpose and Oath

Lon S. Hatamiya, Chair and Secretary
California Technology, Trade and
Commerce Agency

**9:50 Vision of the California Economic
Strategy Panel**

Honorable John Vasconcellos,
Senator
California State Senate

10:00 Historical Context

Ed Kawahara, Principal Consultant
and Deputy Secretary
California Technology, Trade and
Commerce Agency

**10:15 Perspectives of the Members of the
California Economic Strategy Panel:
An Open Dialogue**

Doug Henton, Facilitator and
President
Collaborative Economics, Inc.

Trish Kelly, Facilitator and Program
Consultant
California Center for Regional
Leadership

**11:15 Summary and Discussion of Common
Themes**

Doug Henton and Trish Kelly

**11:30 Next Steps/What Should Be the
2002 Workplan?**

Lon S. Hatamiya

11:50 Public Comment

12:00 Adjourn

Agendas for public bodies located within the California Technology, Trade and Commerce Agency, including the California Economic Strategy Panel are available at <http://commerce.ca.gov>. For additional information regarding this notice, please contact Barbara Shane at bshane@commerce.ca.gov or (916) 322-3452.

California Economic Strategy Panel Initial Themes April 11, 2002

Anticipating the Next California Economies

Identifying Long Term Issues

Integrating Current Industry and Regional Efforts

Creating a Strategic Framework for Action

The California Economic Strategy Panel can play a unique role helping to define opportunities and requirements for the Next California Economies as California's diverse regional economies emerge from the current recession. The Panel can be an "integrator" of current industry and regional efforts and provide a new framework for public and private action at both the state and regional level.

The initial meeting of the Panel identified four major themes that could provide the basis for further discussion and analysis as it prepares its 2002 work plan and products. The 2002 report could integrate existing efforts into a strategic framework for anticipating the next regional economies and preparing the workforce and infrastructure for these coming changes.

Theme #1 Understanding the Changing California Economy

- Identify current industry cluster studies and regional economic development effort, and prepare a summary of key trends
- Analyze the impact of globalization on regional clusters and statewide clusters, especially the changing nature of supply chains
- Identify the issues associated with uneven regional growth, especially the needs of rural economies and disadvantaged urban neighborhoods and how they relate to the larger economic regions, including

opportunities for emerging markets and broadening access to prosperity

- Examine the next economies of California regions driven by new waves of innovation: biotechnology, nanotechnology, new energy technologies building on current work in Silicon Valley and Southern California as well as transforming existing industries building on current work in Central Valley on agriculture.

Actions: Build on Panel's 1999 survey of regions and summary from La Jolla Retreat. Work with CALED and regional organizations to prepare a summary of current cluster studies. Invite these groups and industry associations to a facilitated discussion of their perspectives with the Panel. Include results of next economy studies in Silicon Valley, Southern California and other regions. Consider a special analysis on the impact of globalization on clusters.

Theme # 2: Connecting Emerging Job Trends and Occupational Demands to Workforce Training

- Changing regional economies need to be monitored on a regular basis, and job trends and occupational demands reported in a consistent manner using common data and better information methodologies
- Examine demographic trends, especially diversity and their impact on regional economies and labor markets
- Industry cluster demand based on regional labor market information should drive the workforce training system
- Connect the economic strategy to workforce strategy on a continuous basis.

Actions: Work with California Workforce Investment Board, Community Colleges, local WIBs and other partners, including workforce intermediaries (CRIs, industry associations, EDCs etc), to identify current efforts to connect workforce training to economic strategy and present this to the Panel. Identify opportunities

for better connections and barriers that can be removed that would improve industry-workforce linkage. Consider a special analysis on demographic trends on future economy and labor force.

Theme #3: Adapting Infrastructure to the Changing Economy

- Understand how the changing economy creates different infrastructure requirements by industry and across regions (e.g. transportation impacts)
- Analyze how regulatory policies affect telecommunications infrastructure
- Identify innovative ways to provide infrastructure including more efficient materials, construction processes and transportation systems in order to promote more sustainable development

Actions: Build on the work of the Infrastructure Commission to identify key issues and opportunities for the Panel to consider. Consider a special policy paper on regulatory issues affecting telecommunications infrastructure.

Theme # 4: Matching Regional Governance with the Next Economies

- Consider how the new economic realities require examining alternative regional governance models.
- Assess the lessons from regional collaboration in California and nationally
- Examine ways to better connect regional efforts and promote inter-regional partnerships on shared issues
- Identify ways to better align state responses and resources to regional needs in order to make the state a better partner.

Actions: Build on the work of the Speaker's Commission on Regionalism and the Center for California Regional Leadership to identify new models and best practices. Consider special analysis of new governance models.

Elements of an Initial Work Plan

1. Invite Economists, Local and Regional Economic Development, Workforce and Industry Association representatives to meet with the Panel in May to present their perspectives on these issues. Include new industries such as biotechnology. (Second Meeting)
2. Prepare a summary document that integrates results and key findings from existing efforts (Third Meeting)
 - State and regional economic analyses
 - Regional clusters studies
 - CALED surveys on clusters
 - NGA Cluster study
 - Next Silicon Valley report
 - Workforce Investment Board
 - Infrastructure Commission
 - Speaker's Commission on Regionalism
3. Create an initial Strategic Framework document that addresses key issues and opportunities in the major theme areas (Fourth-Fifth Meeting)
 - Next Economies: Changing California Economy
 - Job Trends and Changing Workforce
 - Adapting Infrastructure to the Next Economies
 - Regional Governance and the Changing California Economy
4. Conduct Issue Forums and Cross-Regional Dialogues on strategic issues and opportunities (June - November)
5. Prepare 2002 report and plan for 2003-2004 cycle. Communicate results widely (December 2002).

Addendum III

Agenda and Summary of Meeting on May 23, 2002

A g e n d a

May 23, 2002

9:30 A.M. – 2:00 P.M.

California Treasurer's Building
915 Capitol Mall, Room 590 (Sign In)
Sacramento, CA 95814
(916) 653-7627

**9:30 Welcome, Self Introductions,
Purpose**

Lon S. Hatamiya, Chair and Secretary
California Technology, Trade and
Commerce Agency

**9:35 Facilitated Panel Discussion on the
Economy (Regional, State, Global)**

Steve Levy, Director and Senior
Economist
Center for the Continuing Study of
the California Economy

Anil Puri, Dean
College of Business and Economics
California State University, Fullerton

Marney Cox, Chief Economist
San Diego Council of Governments

Facilitator:
Ed Kawahara, Deputy Secretary
California Technology, Trade and
Commerce Agency

Recorder:
Trish Kelly, Economic Development
Consultant
(All Panels)

**10:45 Facilitated Panel Discussion on
Infrastructure and Regional
Governance Issues**

Gill Hicks
Gill V. Hicks and Associates, Inc.

David Abel, President
Metropolitan Forum Project

Larry Gottlieb, Vice President
Government and Public Affairs and
Associate Corporate Counsel
Kaufman and Broad Home
Corporation and
Chair of the California Workforce
Investment Board

Facilitator:
Nick Bollman, President
California Center for Regional
Leadership

**11:45 Facilitated Panel Discussion on
Regional Perspectives Regarding the
Economy, Infrastructure and
Governance Issues**

Ashley Swearengin, CEO
Fresno Area Collaborative Regional
Initiative

Keith Lee,
Associate Administrative Officer
County of San Bernardino
Economic Development and Public
Services Group

Betty Riley, President
Sierra Economic Development District

Facilitator:
Doug Henton, President
Collaborative Economics

**12:30 Brown Bag Lunch and Members'
Discussion Regarding Next Steps
and Scope of Work of the California
Economic Strategy Panel**

1:45 Public Comments

2:00 Adjourn

California Economic Strategy Panel

Summary of the May 23, 2002 Meeting

Background

The following provides a summary of the presentations and discussions that occurred at the California Economic Strategy Panel meeting on May 23, 2002. The primary purpose of the meeting was for Panel members to discuss with economists, experts in infrastructure investment and development, and professionals in regional economic and workforce development the most critical issues and demands for economic growth and competitiveness. The objective was to determine what the California Economic Strategy Panel can (or cannot) do between now and December 31, 2002 and the next planning cycle from January 1, 2003 through December 31, 2004.

Next Steps

The Panel members agreed to the following next steps. First, assess results, outcomes and unfinished business from previous work of the California Economic Strategy Panel. Second, review statewide and regional policy reports published in the past 3-4 years regarding the California economy and related issues, and develop a summary matrix for the Panel members. Third, divide the Panel members into the following four policy areas:

- Infrastructure and Governance Issues
Senator Bruce McPherson, Jerold Neuman and Ricky Laster
- Workforce Development and Education
Senator John Vasconcellos, Donald Fowler, Bill Simmons and Amy Dean
- Regionalism and Collaboration
Sunne Wright McPeak
- Economic Data and Information
Donald Fowler

Staff will complete the assessment and matrix for the Panel members in June. The Panel members will work with Technical Advisors and staff on in-depth analysis and discussion of critical policy issues in each

of the above areas. Staff will schedule and facilitate meetings with Panel members and Technical Advisers in July. In the process, the Panel members will define its work plan, taking into consideration the following roles and responsibilities that surfaced during discussions at the May 23rd meeting.

Economic Analyses

- Identify the drivers of regional economies and job growth.
- Identify and examine opportunities and constraints of leading and emerging industries.
- Identify distinct needs of and opportunities for rural and remote economic regions.

Issues Identification

- Identify policy issues important for the success of the California economy over the longer term, incorporating broader competitiveness requirements including quality of life and equity considerations.
- Identify public sector investment priorities, especially within the context of holistic planning.

Policy Recommendations and Collaboration

- Serve as the “vortex” for California’s economic future by bringing leaders and thinkers to the table, and helping Californians understand critical prosperity issues and investment needs
- Provide economic policy leadership across state agencies.
- Develop strategies towards realigning state policies, systems, resources and programs.
- Clarify partnership roles and help link system partners.
- Connect regional economies and industry cluster relationships across regions, and neighborhoods within regions.

The next full Panel meeting will be scheduled in August or September depending on the progress of the “next steps” described above.

Summary of the Facilitated Panel Discussions

The following provides a summary of the three panel discussions during the California Economic Strategy Panel on May 23, 2002. The panel discussions were followed by further dialogue that led to the above “next steps.”

The Economy (Regional, State and Global) and the Role of the California Economic Strategy Panel

Panel Participants

Steve Levy, Director and Senior Economist
Center for the Study of the California Economy

Anil Puri, Dean
College of Business and Economics,
California State University, Fullerton

Marney Cox, Chief Economist
San Diego Council of Governments

Panel Facilitator

Ed Kawahara, Deputy Secretary
California Technology, Trade and
Commerce Agency

Key Challenges and Opportunities

- There is no ambiguity that California will grow – population, jobs, and housing – and we need to be prepared.
- The goal of economic growth is to raise the standard of living broadly (increased prosperity); but we are trending toward an hourglass economy.
- The theme is quality of growth.
- We have the key leading industries with workers and ideas. There is a lot of potential and there are a lot of emerging technologies. We need an educated, skilled workforce.
- The economy is changing but do not write off manufacturing – rather, look to technology and innovation to improve the competitive advantage of industry clusters.
- The Southern California region is highly diverse.

- There is a growing labor force without education and skills; there is a large at-risk population, especially Hispanic youth.
- Infrastructure issues include:
Access to international markets is critical – airport capacity is essential;
Need reliability for water and energy;
Need increased housing supply – we have unplanned growth and low supply;
Need compact balanced growth – we have sprawl and long commutes; and,
Need to address fiscal reform and align public policy goals with fiscal rules to achieve balanced growth and increased housing supply.
- We have evolving regional economies within a global context, with local issues affecting decision-making about investments.
- The El Toro Airport decision showed that jobs alone are not enough; we cannot ignore the environment and quality of life issues.
- Top down decision-making for infrastructure development is not working.
- The Orange County Business Council forums on infrastructure options showed that people can make connections between investment and quality of life, and will support shared investments through reallocation of existing resources or new taxes if they perceive the clear benefit.
- To sustain our leading industries and prepare for growth we need infrastructure investments. Target public policy and infrastructure investments to the regional economic drivers. Invest in education and workforce development to bring skills up to par with jobs.
- The necessary investments must be made.
- We need a monitoring system for policy changes and for infrastructure investments. Flexibility is needed to foster competitive advantage.

Growth and Quality of Life

- What kind of growth are we planning for? What do people value? Jobs but also quality of life – jobs that pay more. Definition varies by region. In San Diego quality growth is benchmarked to measure the three E's (economy, equity and environment). They are focusing on the broad view of what makes a region livable and providing incentives to obtain desired outcomes. The Panel could look at regional indicator projects.
- “Quality growth” is dependent on “traded” clusters. Must move beyond R&D to create more middle-income jobs. Analyze economic drivers and build on existing resources; identify and invest in drivers.
- We need to invest to maintain the supportive climate for our leading industries. How we have regional policy for infrastructure investments versus local view and control results in limited investments. Residents are the number one customer and they also could be the barrier for growth.
- We need to re-energize the urban core – look at neighborhood drivers/exports; e.g. Los Angeles and ethnic foods market.

Role of the Panel

- Analyze/understand the economy; where and how job creation occurs (e.g., small firms, that have locational choice, yet choose quality of life). Define how does California compete for jobs (through investments, through community improvements, through workforce skills) making it harder for competitors to trump us. Better information on rural economies would help lead to better decisions such as facilitating job creation by entrepreneurs.
- In quality of life and infrastructure investments, keep the focus on jobs tied to the regional economy. Quality growth and the connection to high paying jobs must be made clear to the public. How do we connect quality of life with the economic drivers?

- Help people understand the role of State government as a partner with the regions regarding policies, services, rules and incentives. Clarify partnership roles.
- Identify and address governance issues.
- Show linkage from prior work to policy actions and impacts/ investments (e.g., the changes in telecommunications policy that led to \$650 million for infrastructure in rural areas and identification of education and workforce issues).
- Address fiscal reform.

Infrastructure Demands and Governance Issues and the Role of the California Economic Strategy Panel

Panel Participants

Gill Hicks, CEO
Gill V. Hicks and Associates

David Abel, President
Metropolitan Forum Project

Larry Gotlieb, V.P. and Associate
Corporate Counsel
Kaufman and Broad Home Corporation
and Chair of the California Workforce
Investment Board

Facilitator

Nick Bollman, President
California Center for Regional
Leadership

Key Challenges and Opportunities

Alameda Corridor/Goods and People Movement

- Infrastructure investments must be targeted to improve quality of life, support the economy and reduce the impacts of growth (especially pollution).
- The Alameda Corridor project is a very large, multi-year infrastructure project to improve goods movement from the Los Angeles ports via rail to key distribution points. It demonstrates the importance of addressing core infrastructure needs, planning and investing regionally to achieve multiple outcomes.

- There are additional needs in building the next phase and preparing the Southern California region to deal with transportation and goods movement capacity issues. We are nearing airport capacity and rail yards are at near capacity.
- It is extremely difficult to do such large scale planning and implementation across so many jurisdictions and to finance these important projects, but the long-term vitality of the region depends on it. Joint public-private partnerships are needed.

Key Challenges and Opportunities Schools as Center of Community

- Educational facilities and infrastructure is a way to engage the public.
- There are many resources coming available as a result of local votes, various bond measures and Proposition 10 that are to be directed to schools, parks, libraries, health and facilities, but there is little connection or leveraging.
- With school construction, a single agency approach hurts neighborhoods. There is no funding for collaboration or master planning. Regulatory and funding reforms are needed for different ways to acquire sites, do planning and implement so that schools are truly centers of communities. We must figure out how to do holistic planning to reinvest in our people and neighborhoods.
- School construction bonds have a set-aside to encourage joint use to maximize investments. This is the type of model that can help.

Key Challenges and Opportunities Workforce

- Workforce, job skills and occupational demands need to be connected with employment trends to guide the investment of the training system.
- Training should be provided in key cluster areas; better information from employers is needed.

Key Challenges and Opportunities Housing

- Housing production levels are not meeting demands (as documented in the Little Hoover Commission Report, Department of Housing and Community Development Raising the Roof Report and the Governor's Commission on Building for the 21st Century) and are compounding; there is a growing situation of "haves" and "have-nots."
- Employers know housing is important for access and affordability for workers.
- Kaufman and Broad Home Corporation is increasingly building housing in other states, partly for California expansions and relocations.
- There is enough capital and demand, and we know what the issues are – that is not the problem. Leadership at the state and local levels is needed to address the "housing crisis" – we need to create a more supportive political norm.
- The fiscalization of land use is a disincentive for housing production. Local government costs get passed on to homebuilders, increasing costs of housing.
- There needs to be balance in the regulatory arena to resolve competing missions (i.e., protect the environment v. build more housing).
- Construction defect law reform is needed.

Critical Infrastructure Policy Issues

- We need to build infrastructure for the next generation. We stopped investing thirty years ago and this is the legacy we are leaving. We have a huge state budget deficit; but we must invest.
- The State-local fiscal issue is fundamental. People do not understand the impact of the property tax shift. Locals do not control their financial destiny and it hurts their decision-making process; they are working under bad rules. There is little capacity to make long-term decisions. The process breaks down on infrastructure

investments. Local voters do not trust the decision-making process.

- The impacts of infrastructure investments have to be communicated/translated so people see the benefits.

Role of the Panel

- Advocate for holistic planning and resource partnering between state and local, state and federal and state-to-state. Send a message to pay for regional infrastructure planning.
- Support policies such as joint-use to incentivize those projects that benefit the taxpayers/community, not single use. Put priority on those that leverage/partner.
- Document best practices – how to leverage the multiple resources coming into communities (local and state bonds for education, parks and libraries).
- Identify the training needs of important industry cluster through working with the employers. Market the information and help with outreach to reach the customers.
- Help systems partners (i.e., California Community Colleges, K-12, Workforce Investment Boards, One-Stop Centers and Small Business Development Centers) link resources to serve the customers.
- Show the impact of not making investments (e.g., congestion, pollution, poor quality of life). Help communicate the benefits of investment better.
- Target investments in goods movement infrastructure. In terms of regional capacity for ports, disaggregate activities, analyze and link to demands of regional industry clusters. Assist other state ports where appropriate. Need to address congestion issues of ports or will lose to other West Coast ports.
- Help people manage the impacts of infrastructure investments (i.e., years of building the Alameda Corridor).

- Connect construction on infrastructure projects with the community and the neighborhoods. Train for local jobs, revitalize neighborhoods and share the wealth.

Regional Perspectives Regarding the Economy, Infrastructure and Governance Issues and the Role of the California Economic Strategy Panel

Panel Participants

Ashley Swearingen, CEO
Fresno Area Collaborative Regional Initiative

Keith Lee, Associate
Administrative Officer
County of San Bernardino, Economic Development and Services Group

Betty Riley, President
Sierra Economic Development District

Facilitator

Doug Henton, President
Collaborative Economics, Inc.

**Key Opportunities and Challenges
San Joaquin Valley**

- There are many economic opportunities such as water technology manufacturing cluster with global markets. A \$60 million R&D facility is being planned for advances in water technology. Other value added sectors have potential such as food processing, life sciences, health services.
- The key challenges include 1) the whole workforce system, including CEO training; 2) poverty – need to integrate workforce and human services with businesses; 3) regional cooperation/governance, especially in planning for the future – there is collaboration in the civic sector but the public sector is lagging; 4) land use, infrastructure, revitalizing older neighborhoods (goes back to planning); and, 5) capacity to capitalize on opportunities – need human, civic and financial capital.

**Key Opportunities and Challenges
Inland Empire**

- Key opportunities include affordability, potential for clean growth, educated workforce, quality of life, industrial land base and capacity and diversity of population.
- Key challenges include housing cost differential between the coastal and inland areas are driving high population growth; poverty – one of the lowest in per capita income – need for education and workforce training for new and existing workers; Large and growing minority population, especially Hispanic; housing imbalance and the need for regional collaboration and fiscal reform; transportation – cross-county commute, increasing gridlock – need to locate employers closer to workforce; and, workforce shortage of skilled workers and planning for an aging workforce.

**Key Opportunities and Challenges
Northern California**

- The Sierra is the “backyard” of California and relates to the larger urban vision of the state.
- Key opportunities include the “new forest economy” – value added wood products; wood products at a micro-scale; GIS mapping and planning; resource management and stewardship which require new skills sets; R&D; and, bio-energy fields.
- Key challenges include workforce skills gaps; condition and demands of infrastructure such as water and sewer systems and water quality issues; and, demands on health services such as outsiders putting pressure on search and rescue services.
- All the issues are inter-related, requiring regional discussions and balancing.

Role of the Panel

- Provide “thought” leadership – bring system together - provide leadership for collaboration.
- Connect regional economies.
- Collaborate across state agencies for a holistic approach.
- Take cross-cutting approach for regional/state connections on infrastructure investment, workforce development, fiscal reform and information on emerging industries. Analyze what are the leverage points for the emerging industries. Analyze poverty/demographics and skill level requirements.
- Analyze the recreation and tourism industry cluster.
- Examine rural and inner city entrepreneurship; encourage entrepreneurship culture in K-12 and address soft-skills training gap.
- Encourage infill/smart growth for housing growth and address contradictory rules in rural areas.
- Examine methods to fund holistic planning.
- Provide leadership in thinking long-term and promoting collaboration.
- Fill the need to understand regional economies and make choices for targeted investments in people and infrastructure. Efficiencies and productivity increases come from clustering and innovation. The assets and investments are there – are we targeting them in the best way?

Addendum IV



Review of Statewide and Regional Policy Reports

Economic Data & Information Policy Issues

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>The Double Bottom Line: Investing In California's Emerging Markets</i>, California State Treasurer, May, 2000</p>	<p>The State Treasurer implemented a new initiative to “mobilize the power of the capital markets for the public purpose,” to address the widening disparity of economic opportunity across the State and its potential threat of “two Californias” by the State’s sustained success. The initiative follows on the 1999 report “Smart Investments” (The Treasurer’s Debt Affordability Report), which articulated policies to direct State infrastructure investments to focus on communities left behind and to deal with the challenges of growth. The initiative calls on the public sector – from pension plans to state and local governments – to invest capital to meet the double bottom line – achieving successful investment results and broadening economic opportunity in at-risk communities. It calls on the private sector to invest in these “emerging markets.”</p>	<ul style="list-style-type: none"> • Economic disparities increased during a time of economic advancement; a two-tiered economy threatens California’s long-term economic and social health. • While some progress has been made on sustainable development strategies, addressing community revitalization still faces many challenges. • Strategies are documented that show investment potential in many of California’s communities in need, including research by the Milken Institute and the Initiative for a Competitive Inner City, as compared with the volatility in overseas emerging markets.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Proposal for Improving the Accountability of California's Investments in Economic Development</i>, California Budget Project, 2002</p>	<p>A comprehensive overview of California spending on economic development through both “on-budget” programs and tax expenditures, broken out into eight categories. Includes a matrix of spending on each program from 1995-96 to 2000-01; a short description of each program; and a chart of evaluation/reporting requirements for each program. Also includes a brief discussion of how to define economic development, as well as a review of options for evaluating the effectiveness of economic development programs.</p>	<ul style="list-style-type: none"> • The state lacks a structural framework for economic development spending. • Most economic development funds go to general support for business. • Tax expenditures account for the majority of economic development spending. • Most economic development spending is not evaluated.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> Public pension funds and investment pools should seek out sound investments in California's emerging markets. Public financial resources and assets should leverage capital investment in economically struggling communities. State government, in partnership with local governments, educational institutions, foundations and the private sector – should spur capital investment in overlooked communities by funding critically needed market research. Private sector and foundation capital must join in partnership with the public sector in a new commitment to invest in these communities. 	<p>Some results as reported in the Treasurer's Ideas to Action follow up report:</p> <p>Investment Initiatives: Redirection of funding for home loans for low and moderate-income Californians; more than \$1 billion invested in urban communities, including the addition of an urban core investment initiative to the CalPERS Real Estate Portfolio, and an urban real estate investment program by CalSTRS; a \$500 million investment fund targeted to businesses locating and expanding in underserved areas; and, increased state deposits in California community lending institutions.</p> <p>Community Development Initiatives:</p> <p>The Extra Credit Teacher Home Purchase Program; adoption of double bottom line criteria for California Infrastructure and Economic Development Bank funding; and, cleaning up of contaminated brownfield sites.</p> <p>The Treasurer's Office is working to support the creation of regional community capital investment funds for communities in need. The State budget crisis and general economic slowdown have affected some initiatives.</p>	<p>Collaborate with the Treasurer on economic development strategies to identify emerging market opportunities and reinvest in underserved communities.</p>
Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> Develop a unified economic development strategy. Prioritize economic development spending on areas of strategic importance. Institute a systematic review of tax expenditure programs. Evaluate economic development spending based on outcomes. 	<p>Senator John Vasconcellos, Senator John Burton and Assemblywoman Sara Reyes, and/or their staff, have expressed strong interest in the findings and recommendations of the report. Senator Vasconcellos in particular plans to follow up with legislation in the 2003 session.</p>	<ul style="list-style-type: none"> Initiate a strategic planning process for state economic development spending. Initiate a review and evaluation of economic development tax expenditures. Advocate for better evaluation and reporting requirements (and enforcement of current requirements) for on-budget programs. Advocate for consolidation and/or coordination of on-budget economic development programs with overlapping functions.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Planning for Shared Prosperity or Growing Inequality – an in-depth Look at San Diego's Leading Industry Clusters</i>, Center on Policy Initiatives, 2000 Clusters of Innovation, San Diego Regional Economic Development Corp. www.centerpolicy@igc.org</p>	<p>This report analyzes the nature of the jobs being created in the industrial clusters of San Diego's New Economy. The report studies not only the number of jobs being created and average incomes, it further analyzes the occupational composition of the clusters, the educational attainment for employment, the structure of earnings by cluster, the mix of full-time versus part-time employment, the clusters in which firms are likely to provide health insurance, where firms are located and the size of firms in cluster and non-cluster industries.</p>	<ul style="list-style-type: none"> • The cluster industries are growing, but the majority of jobs remain in non-targeted and non-cluster industries. • Promoting targeted clusters does not decrease regional economic inequality. • Lower-skilled occupations are increasing for the overall regional labor market. • Educational attainment in both targeted and non-targeted cluster industries is decreasing, and there remains a robust demand for workers with only a high school degree or less in all industry categories. • Targeted and non-targeted clusters experienced dramatic increases in the percentage of part-time workers. • Targeted clusters provide health benefits at a higher rate than non-targeted and non-clustered industries, but a large number of workers have no coverage. • Targeted clusters are less likely to employ women and non-whites. • Declining unionization in the region has been driven by dramatic trends in targeted cluster industries. • The number of small firms far surpass that of large firms in all industry categories, however, more workers are employed by the larger firms. • The majority of clustered industry firms are located in North County while the working population resides largely in the southern area of the county.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Next Silicon Valley: Riding the Waves of Innovation</i>, Joint Venture: Silicon Valley Network, 2002</p>	<p>This initiative is led by a Next Silicon Valley Leadership Team, working to shape both a framework for understanding and communicating what is happening in the Valley economy, and a process for engaging leaders in a regional discussion on opportunities and choices for the next wave of innovation.</p>	<ul style="list-style-type: none"> • Silicon Valley is a “habitat” for innovation and entrepreneurship, with strong technology, human and capital assets and the largest concentration of technology firms in the world. • After robust job growth from 1994-2000, Santa Clara County lost 3.7% of its jobs in less than one year. The “bust” mirrors the phenomenon of a “hype” curve, which often accompanies the introduction of a fundamentally new technology (in this case, the Internet). • Silicon Valley has experienced other boom/bust cycles, each time emerging with the “next” Silicon Valley economy; adversity helped to stimulate the Silicon Valley habitat for major innovations • New waves of innovation are coming, including a deepening of information and communications technology in both economy and society as we move from the first phase of the Internet toward the mobile Internet, new productivity tools, and applications of technology in education, government and community. • Biotechnology is converging with information technologies, creating new opportunities in the emerging fields of bioinformatics, biomaterials, and biochips. • Nanotechnology is being commercialized. Silicon Valley has strengths in these emerging areas. • Increased global competition due to the accelerating speed of technology diffusion has led to great volatility for Silicon Valley firms and people. • Other regions are competing to lead the next waves of innovation.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Create “good,” full-time jobs with decent wages and secure benefits. • Turn “bad” jobs into “good” jobs by setting job quality standards. • Establish “Jobs Impact Reports” to evaluate job quality outcomes. • Develop industry specific systems of structured career ladders and skill development, paying special attention to creating entry points, pathways and clear career steps for communities left out of the current economic boom. • Expand participation by workers and communities in regional economic development 	<p>The San Diego Region is at the forefront of industry cluster analyses and basing public policies on its findings.</p>	<p>The Panel can conduct a regional forum in the San Diego Region to evaluate its application on a state level.</p>

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Leaders need to create a resilient region – one that can support people, companies, and communities as they mutually adapt to increased economic volatility. Inability to do so in the last cycle of growth led to costly job/skills mismatch, skyrocketing housing prices, a falling standard of living for low-income households, and other threats to the region’s livability. • Being a leading economic innovator requires a new commitment to social innovation – realigning workplaces, institutions, and infrastructure to new social and economic realities. • Specific recommendations include: developing a new technical workforce, mobility and support for low-income workers, building housing and strong neighborhoods, investing in early care and education, and connecting networks and building community. 	<p>These white paper was followed up by “Preparing for the Next Silicon Valley: Opportunities and Choices,” which identifies the opportunities and risks associated with the technology convergence of biotechnology, nanotechnology, and information technology. The project is mapping Bay Area converging technology companies and research centers and labs. There are three action teams to address technology innovation, workforce/workplace innovation, and infrastructure in order to support technological and social innovation. A Workforce Study on “Connecting Today’s Youth with Tomorrow’s Technology Careers” was released in March 2002. If Silicon Valley does not prepare itself, and it could miss the next wave of innovation.</p>	<p>Joint Venture is on the cutting edge of research on the changing economy and emerging industries, and how the community organizes itself to respond. The Panel could track and disseminate the findings of Joint Venture’s work.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>A Critical Analysis of the Local Biotechnology Industry Cluster in Alameda, Contra Costa, and Solano Counties</i>, June 27, 2002. Prepared by Tapan Munroe et. al. for Bay Area Bioscience Center, Economic Development Alliance for Business, Contra Costa Economic Partnership, Solano Economic Development Corp, EastBAY WORKS and county human services departments. (www.bayareabioscience.org)</p>	<p>Economic development, workforce and human services agencies from the East Bay counties of Alameda, Contra Costa and Alameda Counties and the Bay Area Bioscience Center commissioned this study of the fast growing biotechnology industry cluster in this region. The study analyzed the structure of the industry, its employment base, growth prospects, impediments to growth, and opportunities for sustaining the industry. Job opportunities, workforce qualifications and availability of training and education programs are assessed. Two objectives are to develop supportive public policies and develop workforce strategies for local residents.</p>	<ul style="list-style-type: none"> • This cluster is expected to grow as it expands into areas such as system biology, genomics, and bioinformatics. • The area is well positioned relative to cost, including land and housing prices, compared to the rest of the Bay Area. "Biotech friendly" attributes also include proximity to major research centers, relatively affordable space cost, and a skilled workforce. • In a competitiveness analysis, the area compares favorably with other competing regions on factors like research facilities and cost considerations, poorly in workforce except for higher education levels, relatively low on infrastructure, and rather low on financial resources. Many regions are competitive and this area cannot be complacent. • Cost considerations are very important for manufacturing plants but not so for R&D facilities and start-ups. For the latter, primary site location factors are existence of a critical mass of biotech companies and proximity to major research universities. Traditional economic development incentives are a marginal inducement for them. Quality of life factors of important.

Workforce Development & Education Policy Issues

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Strategic Plan for FY 2002-2003</i>, California Workforce Investment Board, June 2002, www.calwia.org</p>	<p>The California Workforce Investment Board was appointed by the Governor in 1999 to provide policy recommendations regarding all aspects of the State's implementation of the federal Workforce Investment Act (WIA), including the provision of integrated services and program accountability. It is also responsible for establishing the vision and goals for California's overall workforce investment system, and developing and promoting policies to facilitate statewide and local system building between workforce education and economic development. The Board oversees the implementation of the delivery system at the local level by local Workforce Investment Boards, One-Stop Career Center operators, and other partners. This plan is an outcome of the Board's strategic planning seminar held in February 2002, and describes what it will do to improve the State's workforce development system over the coming year.</p>	<ul style="list-style-type: none"> • The Board recognizes that a comprehensive workforce development system is critical for sustainable economic growth and improved quality of life for all Californians. It is a central means to increase widely shared prosperity, decrease poverty, and support the leadership position of the California economy. • Its scope is the entire workforce development and investment system, and not just WIA-funded activities. • The Board's most valuable role is to lead by informing and leveraging action and supporting its partners. The State's biggest investment opportunity is in providing all workers with new and upgraded skills, rather than work first, and creating a system for all workers. • Adequate economic and workforce information is lacking to base investment decisions on training for the "jobs of the future." • Categorical funding and programs make it difficult to build a comprehensive workforce development system. • Current performance measures and outcomes are driven by external program and reporting needs rather than communities, regions, workers and businesses. • Capacity building is needed at the state and local levels to improve performance and outcomes.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Improve the area's competitiveness through strategies such as setting up a regional business assistance/promotional center, and addressing transportation and housing cost issues. • Support local research and commercialization of new technologies, monitor emerging technologies, improve the regulatory environment, improve networking and mentoring, and identify and develop funding sources for firms. • Encourage formation of new biotech firms, including development of a Bioscience Incubator(s). • Support the growth and expansion of biotech firms within the region, including facilitating the clustering of newly formed companies through the construction of appropriate facilities around research institutions or in science and technology research parks. • Improve and expand workforce training programs, including management skills, and improve communication between industry and local schools. 	<p>Report was just released, and partners organizations will begin following up on the 60 recommendations, which include more targeted sub-regional recommendations.</p>	<p>Consider a focus on this industry sector for the upcoming planning cycle, in concert with the California Workforce Investment Board, which has been approached by the industry for assistance with training and skills upgrading.</p>

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Ensure that all partners have the most timely, relevant information about changing workforce needs and investment opportunities, at the local, regional and statewide levels. • Be an effective partner and advocate, especially for the local WIBs, and bring system partners together, especially through a unified planning process for the benefit of the entire "system." • Support, nurture and reward a "culture of innovation, including design of an innovation fund and by leveraging other resources for partners. • Raise the quality of the "field of practice" and performance of the overall system, through identification of best practices, capacity building, etc. • Ensure timely compliance with all WIA requirements and conduct board capacity building, including evaluation of strategic plan outcomes. 	<p>The Board is working with staff and partners to attain each goal area (five). Current initiatives are being integrated into the work plan. The Board has also created a Council of Economic Advisors to assist with policy development and analysis of key economic and workforce issues, and has a new interagency agreement with the Technology, Trade and Commerce Agency to provide regional economic base analyses, key industry cluster assessments, and other economic information. The creation of the new Labor and Workforce Development Agency is an additional opportunity to enhance data-driven workforce investment policy for the State.</p>	<p>The Panel could provide input and guidance to the Secretary of the Labor and Workforce Development Agency, Council of Economic Advisors and the Board's economic goal Working Group. The Panel could focus on identifying and understanding emerging workforce needs through its own analysis and outreach.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<i>Shared Prosperity and the California Economy</i> , Steve Levy, Center for the Continuing Study of the California Economy, for the James Irvine Foundation, 2001, www.Newccsce.com	This report recommends a new approach to workforce preparation to meet the requirements for continued growth in the California economy based on productivity growth, move up strategies for individual workers, partnerships instead of single agency programs and adoption of a common purpose with respect to workforce preparation.	<ul style="list-style-type: none"> • Productivity growth is driving the California economy. • Higher wages are the result of productivity growth. • Productivity growth is the result of technology innovation and investment. • California is a leader in technology innovation and investment. • There is a shortage of skilled workers in many sectors. • This shortage provides an opportunity for move up strategies.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<i>California Workforce Development: A Policy Framework for Economic Growth</i> , State Interagency Advisory Group, 2000.	The Regional Workforce Preparation and Economic Development Act (RWPEDA) of 1997 - later reenacted in 1998 under Senate Bill 1744 - was a unique effort to bring education, workforce preparation and economic development partners together at the state and regional levels. The goal of the Act was to create an integrated, effective, and responsive workforce development system. Among the vehicles required by the act was the preparation of an integrated workforce development plan by the Health and Human Services Agency, Technology, Trade and Commerce Agency, the Chancellors Office of the California Community Colleges and the State Board of Education. The plan includes a policy framework based on guiding principles recommended by the four state organizations.	<p>The plan defined the basic expectations for the workforce development system as follows.</p> <ul style="list-style-type: none"> • Support economic growth. • Respond to economic and social changes. • Accommodate new directions in public policy. • Respond to individual needs for lifelong learning, self-sufficiency, and career advancement. • Be effective at the community, regional and state level. • Ensure that the major components of the overall system- education, workforce preparation, and economic development – will in themselves be effective and accountable. • Work as a system, not a collection of programs. • Provide common measures for the success of those programs, sub-systems, and the system itself. • Be administered through comprehensive state and regional partnerships that involve all key players, work through consensus, and expand to accommodate new partners. • Empower local leaders to exercise leadership in problem solving, planning and utilization of resources. • Continuously improve through the application of quality management principles. • Use resources efficiently. • Provide measurable returns on investment of public funds. • Engage the private sector in workforce policy and systems development.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Develop a comprehensive workforce preparation investment plan and implementation system. • Increase funding for California's workforce investment system. • Adopt career ladders as a State Workforce Investment Board priority. • Create innovative career ladder programs with Local Workforce Investment Boards and partners. • Compile labor market information related to career ladders. • Compile information on existing career ladder programs and best practices. 	<p>This report provides an excellent overview of the challenge for California in workforce preparation and presents specific recommendations that can serve as a framework for the development of an investment plan. It has received wide circulation among workforce preparation and economic development organizations of the state and local level. The author has made numerous presentations to these groups and has been involved in meetings where policy decisions regarding workforce development were being discussed. While some of the specific recommendations have been incorporated in the policy positions of stakeholders the message of the report has not been fully recognized or reflected in state policy.</p>	<p>The Panel could assess the recommendations in this report and consider state policy recommendations.</p>
Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel

The plan recommended public policies and systems policies for implementation as follows.

Public Policies:

- Workforce development services designed and organized to provide California's workers and employers with the skills and knowledge they need to sustain and encourage the growth of California' economy.
- Universal access to workforce development information and services that enable all Californians to enter employment, advance in their careers, and achieve the quality of life they desire.
- Public education that is the foundation of the workforce development system, to provide Californians with the fundamental skills and lifelong learning opportunities they need for career advancement and personal fulfillment.
- Efficient and effective use of public resources to provide workforce development services acceptable to both those who use them and those who pay for them.
- A structure based on the authorities and responsibilities of established governing and advisory bodies and administrative agencies.

Systems Policies:

- Expand the state partnership required by the Regional Workforce Preparation and Economic Development Act to reflect the full scope of workforce development.
- Sustain and expand collaboration among workforce development policy bodies and service providers including social support services.

This report provides a sound basis on which to develop and initiate policies and programs that meet the needs of the California workforce and California employers. Unfortunately, State workforce preparation and economic development policy makers, including the four organizations that carried out the program have largely ignored this report. It is particularly significant that the State Workforce Investment Board has not seriously considered either the findings or the recommendations of the report for incorporation in their state investment plan.

The Panel could work with the California Workforce Investment Board to develop state policies to implement appropriate recommendations in this report.

Evaluation of the Regional Workforce Preparation and Economic Development Act, Final Report, Berkeley Policy Associates, June 28, 2002

This report of the RWPEDA program evaluates the regional collaborative, state level collaboration and the policy framework document. It provides lessons learned and recommendations regarding each of the three activities.

- Regional Collaborative:
- The process of applying for RWPEDA funding itself promoted collaboration.
 - Establishing a new collaborative structure rather than building onto pre-existing organizations proved to be a useful strategy in developing a shared vision among all participating partner agencies.
 - Independent project managers were key to promoting collaboration.
 - Consensus decision-making with equal authority given to all participating stakeholders builds trust and credibility for the collaborative.
 - Collaboration requires agency representation by staff with decision-making authority as well as the time and resources to implement these decisions.
 - Successful project planning and implementation requires timely and predictable access to funds.
 - Increased state-level technical assistance and support may have decreased delays in accessing funds caused by approval processes.
 - Categorical funding-focused on specific target populations, delivery locales, and direct service requirements-limits system-change efforts.
 - The most successful collaboratives were those that kept participants focused on the ultimate goal of collaboration for service improvement and systems change.

continued on page 36

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Engage the private sector as full partners in every aspect of workforce policy and systems development, program operations, and delivery of services. • Incorporate a “move up” strategy within all segments of the workforce development system to continuously improve the knowledge and skills of every person in the labor force and ensure opportunities for career development and increased earnings. • Support local development of regional boundaries for workforce development systems and service delivery methods. • Remove fiscal, eligibility and other regulatory requirements that create barriers to accessing services. • Expand accountability for program results and systemwide outcomes to ensure continuous improvement in service delivery. • Continue and expand existing systems development initiatives as the foundation for regional and statewide systems. 		

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<p>Important lessons were learned from RWPEDA implementation. Chief among these was the value of collaboration and the potential it holds for improving and integrating workforce development efforts. In order to guide policymakers, administrative staff, and other stakeholders in building on the RWPEDA-initiated momentum and sustaining the vision of an integrated state workforce development system, the report offers a series of state- and regional-level recommendations based on experience gained through the RWPEDA efforts.</p> <p>State-Level Recommendations:</p> <p>Gain the formal commitment of the Governor, State Legislature, and workforce development partners to the vision of an integrated workforce development system as articulated in the Policy Framework.</p> <p>Re-establish a forum in which workforce development system partners meet to conduct policy discussions and joint planning to improve the system as a whole, such as through the Workforce Council proposed by the Governor's Workforce Development Review and Reform Task Force.</p> <p>Ensure that all critical stakeholders in the workforce development system are included in system-building efforts, such as the California</p>	<p>This favorable evaluation of the RWAPDA program and the Policy Framework discussed above highlights the lessons learned and provide guidance to workforce preparation stakeholders in the development of new and more relevant approaches to workforce preparation. The report is being circulated for review, but it is unclear how the document will be used for shaping workforce preparation policy for the coming years.</p>	<p>The Panel could assess lessons learned from this report and consider state policies.</p>

continued on page 37

- Collaboration can be improved through implementing formal communications mechanisms.

State-Level Collaboration:

- Collaboration in working to create a responsive and effective statewide workforce development system is valuable.
- Initiatives like RWPEDA depend on support from the highest levels of authority, coupled with a critical mass of support from non-appointed positions.
- Collaboration is fragile and requires hard work.
- Consensus decision-making builds trust among partner agencies.
- It is important to have all key stakeholders represented at the table.
- Collaboration requires the commitment of real resources.
- Developing an MOU between workforce development partners is valuable both for the development process itself and for the resulting document.
- Funding provided to promote regional collaboration should be conducive to collaboration and system building and should be consistent over time.

Policy Framework Document:

- Establishing the equality of partner agencies is conducive to meaningful collaboration.
- Getting participants on the same page at the outset can prevent misunderstandings and make collaboration more efficient.
- Ensuring that reviewers have the opportunity to make substantive contributions may increase buy-in to the process and its outcomes.
- Phasing activities properly can create “learning loops” that benefit individual stages of the collaborative process.
- Proper and careful wording is crucial to building consensus and reaching multiple audiences.
- Securing buy-in from detractors can increase support for collaborative work and potentially strengthen its legacy.
- A policy framework document that is created collaboratively and addresses important themes in depth can have wide applicability.

Employment Development Department, additional postsecondary education partners, partners representing the business community, and representatives from employee associations.

Support regional collaboration with flexible funds, minimizing restrictions such as those that typically accompany categorical funding

- Offer technical assistance and best practices to support regional collaboration.
- Take the next step toward integrated planning among the state-level workforce development partners, building on current momentum and commitment.
- Use the Policy Framework to guide future workforce development collaboration and system building.

Regional-Level Recommendations:

- Establish a collaborative entity that is organizationally separate from the collaborating partners. A new level of bureaucracy or large organizational structure is not necessary to achieve collaboration. However, clearly defined roles and responsibilities for joint efforts--distinct from those of any particular partner or existing organization-is essential.
- Value and cultivate the regional knowledge base, sharing organizations' perspectives, experiences, protocols, best practices and technical assistance.
- Develop methods to keep the primary focus of the collaborative on the goals of collaboration and system change.
- Require some type of buy-in from all partners, evidenced by actual resource allocation.
- Provide Incentives for participants to stay involved, despite job changes or revised priorities.
- Contract with an independent facilitator and/or project manager to guide regional collaboration, providing an unbiased perspective and keeping partners focused and engaged.
- Develop a sustainability plan for regional collaboration, addressing goals, benchmarks, funding, and private sector involvement and investment.
- Solicit input and feedback from stakeholders on an ongoing basis in order to develop a deeper understanding of local needs and priorities and to assess collaborative efforts.
- Develop methods for distributing and publicizing information about workforce development services and resources to business, job seekers and the general public.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Ladders of Opportunity: Board of Governors' Initiative for Developing California's New Workforce</i>, California Community Colleges, July 2001.</p>	<p>The Board of Governors of the California Community Colleges in a retreat held in February 2001 identified six priorities to which their attention will be directed in the forthcoming year. This document focuses upon a new initiative in the second of these areas, workforce development. The document recognizes that the employment requirements of the New Economy are placing new and stringent demands on the community colleges and recommends an approach that focuses on career ladders as the best way to meet those new requirements.</p>	<p>To meet the diverse needs of the California economy and its citizens, a career ladders approach should be implemented which would address the following workforce preparation requirements:</p> <ul style="list-style-type: none"> • Target high wage, high growth sectors of the economy such as health and information technology, readying individuals to achieve economic self-sufficiency in the areas of greatest need. • Provide for full spectrum of education and training, beginning with basic literacy and numeracy, continuing with entry-level job skills and extending through advanced training and general education. • Provide a variety of learning and training opportunities including certificate programs, employer funded training and degree programs. • Integrate academic and career skills and knowledge, providing the broad educational foundation, as well as the career specific skills, needed to help students succeed in the long term. • Integrate work and learning, allowing individuals the opportunity to obtain education and skill development while pursuing work and career. • Provide lifelong education and training opportunities allowing individuals to return for continued learning and skill development and any stage of their career.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Only a Beginning: The Proposed Labor and Workforce Development Agency</i>, Little Hoover Commission, 2002, www.lhc.ca.gov</p>	<p>In March of 2002, Governor Davis proposed the creation of a new Labor and Workforce Development Agency composed of the Department of Industrial Relations (DIR), the Employment Development Department (EDD), the State Workforce Investment Board (WIB) and the Agricultural Labor Relations Board (ALRB). In addition to the reorganization plan, the Governor in the 2002-03 budget plan proposed far-reaching changes to improve the organization and management of the workforce development system. Under state law, the Little Hoover Commission must review the plan and the Legislature must either allow the reorganization to go into effect, or stop it by a majority vote of either house. A task force was appointed by the Governor to provide additional details regarding the reorganization proposal.</p>	<p>The reorganization plan offered by the Governor identified the major benefit of the proposal as coordination among the programs that will be under the umbrella of the new agency and describes the plan as the first step toward eliminating duplication, increasing efficiency and promoting accountability and access to programs. Three areas were stressed:</p> <ul style="list-style-type: none"> • Better coordination of diverse workforce development programs operated by various units of state government • Improvement in the enforcement of labor laws through the coordination of investigative efforts. • Coordination of data collection and analysis efforts for improved decision making by employers, program administrators and policy-makers. <p>The analysis by the Little Hoover Commission agreed with these findings, but felt that the proposal provided too little detail for analysis and didn't go far enough to meet the objective of the proposed reorganization.</p>

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<p>The California Community College System is well positioned to take the lead in development of a career ladders approach to workforce preparation through implementation of the following recommendations:</p> <ul style="list-style-type: none"> • Allocate and integrate current resources based on the career ladders approach. • Provide needed technical assistance through the Chancellor's office. • Develop common performance measures. • Create an innovation fund. • Develop an action plan for collaboration with other entities. 	<p>The current state budget situation is having an impact on the implementation of these recommendations.</p>	<p>The Panel could explore the recommendations with the Board of Governors.</p>

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<p>The review recommended that the new agency:</p> <ul style="list-style-type: none"> • provide a detailed plan including performance measures in next years budget. • strengthen the influence and accountability of the Workforce Investment Board. • align goals, incentives and performance measures. • provide close coordination with the Cal Works program. • expand on integration of investigation and enforcement functions. • develop a research agenda and reduce barriers to access of employment data. • consider inclusion of additional ad judicatory boards in the new agency. • integrate workforce and economic development efforts. 	<p>Despite reservations due to a lack of detail, the Little Hoover Commission recommended that the plan be allowed to take effect. The Task Force appointed by the Governor rendered no report and the Legislature took no action in either house. Therefore, the proposed new agency became operational on July 1, 2002. The head of the Department of Industrial Relations was named to head the new Agency as Secretary of Labor.</p>	<p>The Panel could explore future roles with Secretary Steve Smith of the Labor and Workforce Development Agency.</p>

Critical Path Analysis of California's Science and Technology Education System, California Council on Science and Technology (CCST), April, 2002, www.ccst.ucr.edu

CCST, in response to growing concerns about the supply of science and technology workers for California's High-tech industries produced a Critical Path Analysis of California's science and technology education system. The CCST Critical Path Analysis Committee prepared the report. Six studies were commissioned, focusing on individual segments of the educational pipeline (K-12, college and continuing education), demand for workers in the science and technology sector, and the digital divide. Key findings and recommendations were presented for each segment of the education system and the two issues given specific attention.

The K-12 System:

- The overall attrition rate is too high and among those who do graduate too few meet the requirements for college, particularly in science and math.
- Low college attendance rates for minorities will further reduce college participation rates overall as this population becomes the majority in K-12.
- There is a growing shortage of qualified teachers in science and math compared to other states and support services are inadequate (e.g., counselors and librarians).
- Improving teacher quality, particularly at low performing schools, is an important key to improving student performance.
- Teacher's salaries are not competitive with the labor market, and are particularly low in science and math.

The Community College System:

- The number of S&E certificates and degrees granted is insufficient.
- The number of transfers to four-year institutions is too low.
- The community colleges are not meeting the need for providing bridges to work of further study for at risk high school students.
- S&E instructional capacity (lab, facility, teacher) is resource limited.
- The supply of counseling services is inadequate.
- There is no salary differential for faculty in S&E disciplines, despite the higher earning potential of S&E degree recipients in the labor market.

Baccalaureate Schools:

- California is not producing enough baccalaureates in S&E.
- There is a gap between degree production and workforce demand.
- California lags behind other states in per capita production of S&E degrees and rate at which BS recipients pursue graduate degrees.
- The recent efforts to increase the number of S&E degrees awarded are insufficient.
- Poor exposure to S&E careers in K-12 leads to inadequate preparation and low interest in S&E careers.
- The attrition rate at CSU is too high (close to two thirds).
- CSU does on have a differential salary scale for S&E disciplines, despite earnings differentials.
- A rise in biology degrees in the past 10 years has obscured the decline or stagnation in engineering, computer science, mathematics, and physical science degrees awarded.

Graduate Schools:

Masters Level:

- Masters degrees are in significant demand as shown by the numbers of H-1B workers who hold them.

continued on page 42

K-12 System:

- Allocate additional resources to low-performing schools to strengthen quality of teaching and increase educational/career counseling.
- Work to improve the quality of California's reading, science, mathematics, and technology teaching.
- Develop strategies to motivate students to fulfill the basic requirements necessary to enter college and pursue science, mathematics, and technology majors.
- Develop strategies to increase student access to effective academic and career counseling.

Community College:

- Give greater priority to expansion of S&T enrollments and degrees in the allocation of incremental new state operating and capital budget funds.
- Increase cooperation of community colleges with high schools.
- Increase transfer numbers in the S&T areas.
- Strengthen collaboration with four-year institutions.
- Promote high-end articulation efforts such as ASSIST, CAN and IMPAC.
- Increase opportunities for part-time degree study in the state's universities to compete with community college transfer students who are working full and part-time.
- Develop differential salary scales for S&T faculty that reflect the marketplace for these skills.

Baccalaureate Level:

- Achieve targeted increases in the number of S&E Degrees.
- Develop more appropriate funding and budget allocation strategies for the S&E programs in the CSU and community colleges.
- Continue to expand higher education outreach, teacher education and professional development initiatives.
- Provide the research-related start-up costs (for laboratories, etc.) associated with hiring of new and replacement faculty.
- Improve counseling availability and guidance for students to appropriately plan course sequences.

The report has been published and circulated to appropriate stakeholders in the workforce preparation profession. It provides guidance to the problems associated with insuring the quality and availability of scientists and engineers to meet the needs of California employers which should be reflected in the workforce preparation plans of all providers and the overall Investment Plan developed by the State Workforce Investment Board.

The Panel could explore future roles with CCST.

- Growth in S&E master's degrees is largely driven by the increasing participation of women in the health and life sciences.
- A significant percentage (over 35%) of master's degrees are awarded to non-resident aliens, many of whom are not products of the California education system.

Doctoral Level:

- PhDs are very important to economic growth.
- A small number of top schools in California are responsible for the majority of innovation.
- Although California has many top research schools in the UC System and independent sector, comparatively low level of financial support is available making recruitment difficult.
- Non-resident aliens earn over 30% of S&E doctorates.
- There is an increasing number of PhDs in relatively low paying jobs due to the academic orientation of their skills.

Continuing Education:

- Continuing education providers play a vital and often unrecognized role in qualifying generally educated students with industry specific skills.
- Typically these programs reflect local industry workforce needs but are not tracked sufficiently at the state level.
- State programs do not sufficiently support continuing education.
- There is a significant lack of regional demographic data on the effects of continuing education on the science and technology workforce.

Workforce Immigration:

- California employers hire foreign-born workers as a solution to shortages of skilled domestic workers.
- Individuals with graduate degrees receive a high percentage (41%) of H-1B visas and the balance holds a BS or its equivalent.
- The rise in the use of foreign-born workers underscores the inability of the California education system to produce enough skilled labor.

The Digital Divide:

- Use of computers and the Internet is becoming a critical life skill.
- The digital divide is not just an issue of resources; it is also an issue of training.
- California's high number of under-qualified teachers, especially in low-performing schools, severely impacts the effectiveness of placing computers in the classroom.

- Recognize and support the pivotal role of the community college system for transfer students.
- Improve the alignment of K-12 learning outcomes with university placement assessment expectations.
- Encourage the federal government to raise caps on Pell Grants, and further increase the state's own Cal Grant program.

Masters Level:

- Encourage more California students to pursue graduate education to the master's level.
- Increase graduate enrollment rates for students who entered university as community college transfers.
- Expand terminal/professional master's degree options within UC and CSU, and encourage it in the independent institutions.
- Encourage closer connection to industry in graduate training programs.

Doctoral Level:

- Encourage more California students to pursue graduate education to the PhD level.
- Improve doctoral completion rates for underrepresented populations.
- Improve preparation for PhDs to enter industry in fields such as biological sciences and physics, for example, through programs involving industrial internships.

Continuing Education:

- Assign a state entity to comprehensively analyze the continuing education system.
- Reassess the state's role in continuing education.
- Encourage industry to expand support for employee participation in continuing education.

Workforce Preparation and Business Linkages, Strategic Planning Group, Final Report, The California Master Plan for Education, 2nd Draft, July 2002, Joint Committee to Develop a Master Plan for Education-Kindergarten through University, www.sen.ca.gov/masterplan

In 1999 the Legislature passed Senate concurrent Resolution 29, calling for the creation of a new Master Plan for Education. The Master Plan for Education will serve as a roadmap for providing a coherent educational system that is attentive to learner needs, literally from birth through old age. The Master Plan is being developed by the Joint Committee to Develop a Master Plan for Education-Kindergarten through University. A number of Strategic Planning Working Groups, including one for Workforce Preparation and Business Linkages were appointed to study and report on selected issues. The Workforce Preparation and Business Linkage Working Group was completed earlier this year.

The working group adopted two guiding principles:

- Focus on all students.
- Focus on the best interests of the students.

As an initial step toward envisioning what a future system might look like, five precepts for effective programs in workforce preparation were agreed on.

- Target jobs with relatively high earnings, strong employment growth, and opportunities for individual advancement.
- Include an appropriate mix of academic (including basic or remedial) education, occupational skills, and work-based learning. The intensity of both academic and vocational education is appropriate to the jobs, and effective programs pay attention to the pedagogy of everything they teach.
- Provide appropriate supportive services.
- Provide students with pathways or “ladders” of further education opportunities.
- Collect appropriate information about results and use these to improve their quality.

The Working Group presented recommendations in five specific areas:

Academic Integration:

- Integrate academics and career preparation throughout K-12.
- Extend School-to-Career (STC) concept across K-University.
- Increase resources for career guidance and assistance to students.
- Expand recruitment for counselors and workforce teachers.
- Improve Professional Development for Counselors and Teachers.

Alignment:

- The state should establish specific roles and responsibilities for a statewide system of career/workforce preparation programs in education.
- The alignment of career technical programs should be broad in scope.
- The structure of a career/workforce preparation system should reflect a tightly-coupled network model, characterized by relatively autonomous nodes of education/training providers, intermediary industry, trade and professional organizations; strategic connections to the labor force; and a high level of communications among network members.

Accountability:

- The state should expand the current workforce report card to include K-University programs.
- The state should expand student data collection systems and link to postsecondary institutions and Employment Development Department (EDD).
- The state should focus some portion of post secondary funding on program/certificate/degree completion, time to completion, and education/labor market outcomes rather than only enrollment.

Resources:

- Any proposed funding model must recognize its formula for adequacy of: The cost of recruiting, education and professional development for staff in career technical programs and career technical learning strategies; and, the costs associated with the instructional facilities and equipment required to deliver instruction in career technical programs.

The Joint Committee has held hearings on the 1st draft of the Master Plan and comments have been solicited on the 2nd draft. The Joint Committee website has extensive information on the study including reports, comments received and hearing transcripts.

The Panel could explore future roles with the Joint Committee to develop a Master Plan.

continued on page 47

A State of Diversity: Demographic Trends in California's Regions, from California Counts, Population Trends and Profiles, Hans Johnson, Public Policy Institute of California, May 2002, www.ppic.org

The Public Policy Institute of California publishes periodic assessments and updates of trends and changes in California's demographic characteristics. This report uses recent data from the 2000 Census to examine demographic trends and patterns in California's nine regions. It emphasizes the importance of understanding California's regions, and notes the recent PPIC Statewide Survey finding that a substantial majority of Californians believe that local governments should take a regional approach to working on land use and growth issues. The regions used vary somewhat from those of the Economic Strategy Panel. The report highlights the differences in density throughout the regions (e.g., 9 persons per sq. mile in the Sierras, compared to 1,959 in the South Coast), and how many regions are the equivalent of other states in geographic size and/or population.

- California gained over 4 million residents in the 1990s, due to international immigration and natural increase, with natural increase the largest component of population change in every region except the Sierras.
- Six out of every 10 Californians live in Southern California, with the Inland Empire gaining in demographic importance.
- Population growth rates in the 1990s were higher for inland than coastal areas, but almost three out of four Californians live in coastal areas.
- The three fastest growing regions – the Inland Empire, Sacramento Metro and San Joaquin Valley – accounted for almost 40% of the population growth, but the South Coast added over one million new residents.

Similarities:

- Every region experienced slower population growth than it had in the 1980s, due to the impact of the severe recession in the early 1990s.
- Diversity is spread through the state – in every region, population growth was greatest for either Hispanic or Asian and Pacific Islander populations.
- In three of the nine regions, no race or ethnic group is a majority of the population.
- In every region except the Far North, housing growth has not kept pace with population growth.

continued on page 48

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Consideration should be given to granting the educational segments flexibility in their internal allocation of funds to address the higher costs associated with career, technical and scientific instruction and contextualized learning more broadly. • Specifically: the differential costs of recruiting, education and retaining teachers, faculty and support staff in career, technical and scientific disciplines; the differential costs associated with the instructional facilities and equipment required to deliver instruction in career, technical and scientific fields; and the differential costs associated with contextualized learning, including laboratories, field and applied industry experiences. <p>Private Postsecondary</p> <ul style="list-style-type: none"> • The Joint Committee should conduct a review to determine the most efficacious and effective placement of governance for the Bureau for Private Postsecondary and Vocational Education (BPPVE). 		

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • The commonalities suggest that many of the growth issues faced by California as a whole are felt throughout the state. • Strong differences are also evident, with the most disturbing being the divergence of per capita incomes in California's regions, with relatively poor regions becoming even poorer. • The differences present a challenge to state policy makers – regions might not share common objectives, or might be pitted against one another. 	<p>PPIC is continuing to track and update this information.</p>	<p>The Panel could ensure that strategies account for regional differences and address regional equity issues, consider targeting of investment resources for regions where disparities are increasing or promote housing production to match job growth.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
---	----------	--------------

Differences:

- Despite rapid increases in Hispanic and Asian populations, the Far North and the Sierras are overwhelmingly non-Hispanic White, whereas in the South Coast, Hispanics are the single largest ethnic group.
- Sources of population growth vary: the South Coast, Bay Area, San Diego, Central Coast, and San Joaquin Valley receive international migrants and send out domestic migrants, while all other regions receive more domestic than internal migrants.
- Age structures differ: the Inland Empire and San Joaquin Valleys have very young populations and the Sierras and the Far North have much older populations.
- Economic conditions diverge: the Inland Empire and the San Joaquin Valley are the poorest (and two of the fastest growing) regions, and are falling further behind the rest of the state.
- Much of the state's migration appears to be determined by regional economic conditions.

Infrastructure Policy Issues

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
---	----------	--------------

Invest for California – Strategic Planning for California's Future Prosperity & Quality of Life, Commission on Building for the 21st Century, 2001, www.bth.ca.gov

Commission appointed by Gov. Davis to develop an infrastructure investment strategy for the State. Assessed needs over next 20 years in 8 categories: educational facilities, energy, housing, land use, public facilities, technology, transportation, water; identified recent progress; and, recommended integrated set of guiding principles, policies & specific strategies to close investment gaps. Identified urgent priorities, and emphasized better use of resources. Note: there are many specifics provided for each category.

- Infrastructure is the foundation for economic prosperity and quality of life.
- California has long-term infrastructure deficit; must address both past underinvestment and future needs for growth and changing economy and population to sustain economy.
- California will add 6 million jobs, 12 million people, and 4 million homes. Growth will come primarily from California residents. (Many specific findings for each infrastructure category.)
- Planning and investment critical on continuous basis, regardless of economic cycles. "We cannot fall behind again."
- Infrastructure is a shared responsibility for all sectors.

Urgent and Immediate Priorities:

- Pass new State school bond measure; include joint use, resource efficiency, and integrated land use planning.
- Develop statewide energy infrastructure policy and statewide water infrastructure plan.
- Increase housing production through incentives and regulatory reform measures, including rewards for communities that meet/exceed housing production goals. Resolve construction defect and defect litigation issues; reform regulations to redevelop brownfields.
- Pass constitutional amendment to lower the vote threshold to 55% for local bonds and sales tax initiatives, for local and regional infrastructure plans, especially transportation.

Crosscutting Reforms for a Sustainable Foundation:

- Establish a new permanent public-private entity to support cost-effective infrastructure planning and investment – the California Infrastructure Partnership.
- Establish permanent infrastructure investment fund, from the General Fund, with investment priorities determined by the Governor and Legislature.
- Reform state tax policy to improve land use decisions. Options provided.

Report follow up generally low key due to budget situation. School bond measure is on the ballot, with set-aside for joint-use and “schools as centers of communities.” Some legislation has been proposed for a permanent Infrastructure Fund and to address fiscal reform (Steinberg AB 680). Governor’s Office of Planning & Research is working on a model planning ordinance for new models of development. Commitment by Governor to increase share of energy supply from alternative/renewable energy resources.

- Promote support for infrastructure investments as key foundation.
- Review guidelines and criteria for state financing investments.
- Identify opportunities for emerging economic sectors, e.g., “green building” technologies and applications.
- Identify areas where better information is needed to assess investment strategies; consider analysis to align revenue strategies with demands of 21st century economy.
- Track the AB 1473 (State capital budget plan) process.
- Assess potential for the California Infrastructure Partnership.

continued on page 51

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Building California's Future: Current Conditions in Infrastructure Planning, Budgeting, and Financing</i> Michael Neuman and Jan Whittington, Public Policy Institute of California, 2000, www.ppic.org</p>	<p>Supplemented the Commission on Building for the 21st Century by looking at the infrastructure investment decision-making process at the state level. The study evaluates how departments, legislators, and the Governor interact to plan, budget, finance, and prioritize infrastructure projects.</p>	<ul style="list-style-type: none"> • Identified needs outstrip available resources. • The definition of infrastructure is changing (and is broader). • Most planning originates at the department level, with capital budget based on proposals for individual projects, guided by the State Administrative Manual. A lengthy process follows as the capital budget is put together for the Governor's budget, reviewed by the Legislature and the Legislative Analyst's Office (with hearings, etc.) before final budget approval. • Some agencies have more flexibility for project streamlining. The state's most sophisticated planning and development efforts operate at the margins or completely outside of the Manual procedures. • The process leaves California relatively strong on project planning by individual agencies and weak on statewide planning and strategy. • Decisions are often guided by the details of the annual budget process rather than broad policy goals. This rewards short-term budget balancing rather than long-term asset management, and is not responsive to changes in the business cycle. • Available funds, rather than long-term priorities, define infrastructure "needs." • There is no life-cycle framework for infrastructure and it tends to neglect assessment and maintenance in favor of crisis management. • The process emphasizes long-term debt over other options that would help close the gap between needs and available funds. • Information for capital decisions is limited, and resources for infrastructure management vary widely.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Promote policies that balance competing needs of residential, commercial, agricultural and environmental uses for scarce land resources. Require and provide support for regional housing plans. Expand initiatives for new models of conservation and development (infill, transit-oriented development, etc.) • Provide innovative financing strategies – call for review of financing options, aligned to the demands of the new economy. 		

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • The State's decision-making process needs repair. Piecemeal reform cannot address lack of statewide vision or strategy. • An alternative approach should stress strategic thinking, coordination, and efficient information management. • AB 1473, which is to implement a statewide five-year infrastructure plan, can help if the implementing mechanisms are well designed. 	<p>PPIC continues to study the issue. The current budget crisis underlies the structural issues raised in the report. Implementation of AB 1473 is lagging and includes only state identified needs and not the needs of the state overall.</p>	<p>The Panel could continue to raise the issue about the information needed for comprehensive assessments and long-term investing within a strategic framework.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>California's Infrastructure Policy for the 21st Century: Issues and Opportunities</i>, David E. Dowall, Public Policy Institute of California, 2000, www.ppic.org</p>	<p>A companion report to the issues outlined in the report on state infrastructure decision-making by PPIC.</p>	<ul style="list-style-type: none"> • California will need to invest an estimated \$82 billion in its infrastructure over the next ten years, but projected state and local revenue sources will meet only half of this need. • Current facilities have not kept pace with urbanization, community development, surging enrollments, business formation and expansion, and other developments fueling huge infrastructure demands. • The state lacks a stable funding source for infrastructure programs, reviews these programs on an ad hoc basis, and does not evaluate infrastructure investment requirements on a statewide basis. • Traditional planning relies on per capita consumption estimates to forecast needs, without considering public willingness to pay for infrastructure improvements, the effects of conservation and technological change. • Conservation strategies would allocate resources more efficiently and reduce cost of new investments.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Smart Public Investments for the California Economy: Information and Analysis for Infrastructure Planning</i>, Steve Levy, Center for the Continuing Study of the California Economy, for Californians and the Land, 1999, www.Newccsce.com</p>	<p>Several foundations provided support for this report, to address concerns about a lagging infrastructure and its impact on the State's continued economic prosperity and quality of life, given conditions of the State's critical systems and the growth it faces. It is linked to an earlier report, <i>Land Use and the California Economy</i>, which concluded that a high quality of life is a critical determinant in attracting entrepreneurs and workers to the State's leading high-wage industries. The report focuses on three key issues: what are critical gaps for information and analysis needed for public infrastructure planning, what cost-effective approaches should be considered, and what economic criteria should be used for public investments.</p>	<ul style="list-style-type: none"> • The State can afford and the State's economy will require more investments in its parks, roads, schools, and other capital facilities. • The State must catch up on past maintenance of current infrastructure as well as plan for future needs. • Investment requires a more thoughtful planning process that anticipates the State's real needs. • The level of information available to develop a long-term infrastructure investment strategy is inadequate. • The current information base is poorly organized and incomplete.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • The State should focus on infrastructure policy and management rather than on direct provision of infrastructure, with special attention to market-oriented solutions (based on successful experiments elsewhere), • Policymakers should prioritize needs by focusing more on demand: that is, how much the public is willing to pay for particular services and projects, and shift costs to user and beneficiary groups. • The State should implement strategies for reducing or managing demand in such areas as energy, transportation, water supply, and solid waste treatment. • Demand management strategies include flexible pricing and more efficient use of existing facilities. • The State should assess new models of service delivery that blend efforts of public, private and non-profits. • Long-term financing and leveraging for infrastructure investments is recommended over pay-as-you-go (providing intergenerational equity as users pay for infrastructure over the life of the investment). • With a management approach, California's institutional and regulatory environment will need to be restructured to foster demand-oriented service delivery. The State would still be responsible for setting the policy framework, regulating providers, ensuring fair prices, and guaranteeing equity. 	<p>Conservation strategies were implemented for energy but not for other infrastructure categories. There is generally resistance to user fees and flexible pricing strategies. The Commission on Building for the 21st Century endorses the partnership approach with a variety of new models. Many economists believe we should shift more to demand management and conversation approaches. CalTrans in particular is experimenting with technology to address traffic congestion. The Governor's Green Building Executive Order is being implemented with new state facilities, addressing water, energy, building materials, waste recycling, and other resource issues.</p>	<p>The Panel could assess the potential for recommended strategies to reduce/manage demand, improve use of existing facilities, and provide more stable and adequate revenue streams. The Panel could promote infrastructure projects like the Alameda Corridor as a model for new approaches and partnership and financing strategies.</p>
Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Infrastructure planning must be a comprehensive long-term process. • California's infrastructure investment must be a partnership effort. The State should take responsibility for compiling a comprehensive picture of statewide infrastructure needs and funding availability, reflecting the activity of all partners – local and regional agencies, the federal government, and private and non-profit sectors. • Integration of planning efforts across agencies and communities is needed (i.e., land-use and transportation planning). • Return on investment should be an explicit investment criterion. • Analysis needs to distinguish different components of need: replace/repair existing and aging infrastructure, introduce new 	<p>Many of the report's recommendations are incorporated into the Commission on Building for the 21st Century. There is not yet commitment for the long-term planning process framework, and the database issues continue.</p>	<p>The Panel could emphasize the importance of the database and the long-term planning to make equitable and cost-effective infrastructure investments. The Panel could assess concepts for evaluating cost-effective approaches to improve capacity.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Raising the Roof: California Housing Development Projections and Constraints, 1997-2020.</i> Statewide Housing Plan. John Landis, Principal Author, Institute of Urban and Regional Development, U.C. Berkeley, et al., for the California Dept. of Housing and Community Development, May 2000, www.hcd.ca.gov</p>	<p>This report is an update of the California Statewide Housing Plan, and contains a great volume of information on a county-by-county basis for: California's projected housing needs through 2020, the constraints to meeting those needs, and the possible consequences of not meeting them. It covers household and tenure changes, the supply of developable land and where the State is in short supply, the local regulatory process, capital constraints to housing production, the impacts of shortfalls, and makes recommendations. It also suggests areas for further research. The report was a basis for much of the housing section of the Commission on Building for the 21st Century.</p>	<ul style="list-style-type: none"> • By 2020, the state will add more than 12 million new residents and approximately 5 million new households. To meet projected needs will require that an average of 220,000 housing units be built each year, of all housing types. • Current production is less than 150,000 units per year, and there is an accumulated deficit due to past underproduction. • If current trends continue, California will build less than 60% of needed housing, leading to rising housing prices, higher cost burdens, lower home ownership rates, increased crowding, and longer commutes. • Most growth might be able to be accommodated with housing forms that consume less land than in the past, but there is no statewide database regarding the potential for redevelopment and land reuse. A few areas are projected to run out of land under current development and land use patterns. • The current regulatory environment is inconsistent and time-consuming, dampening production and innovation in land planning, site and building design. • California pay a higher percentage of their income to housing than other states, homeownership rates are dropping, and commute times are increasing. These are all affecting the economic climate.

standards and technology, catch up with past underinvestment, and plan for future growth.

- Concepts for developing and evaluating cost-effective approaches to improving capacity include: a focus on improving services capacities first, getting better use out of existing infrastructure (e.g., conservation), and use of market forces (prices, incentives, etc.).
- Invest in getting better information on which to base decisions, and perform rigorous investment analysis.

- The State needs to develop and institutionalize, among all sectors, a stronger and more broad-based commitment to producing more housing, more diverse housing, and less expensive housing. It is at the root of most of the state's core policy issues like traffic congestion and sprawl. Strong housing policy is a must.
- Increase the supply of financing for investors in new multi-family projects.
- Promote and improve the ability to do infill development.
- Identify and preserve habitat, resources, farm and open-space land, as part of a broad and balanced strategy to meet diverse housing needs.
- Improve land planning and entitlement process. The State can help local governments to meet projected needs by financial incentives, support for regional and sub-regional planning, and other reforms.
- The state's major environmental, development and social justice advocates must come together at the state and regional levels to reach an accommodation over growth, land use, fiscal and housing issues.
- Homebuilders should work to ensure that their design and development practices build real neighborhoods and communities, as opposed to just units.

Housing continues to emerge as the big issue threatening economic vitality, as costs are continuing to increase even during the economic downturn. Alliances are emerging to overcome voter and community resistance to growth and provide needed housing, but there is still not a broad-based call for housing as a top public policy priority. Some initiatives were funded by the State to provide incentives for new models of development, including infill and mixed-use, and to address jobs-housing balance and brownfields clean up, but they have been impacted by the budget situation. HCD is working with cities and counties on compliance with housing element requirements. There is a proposal for a housing bond. Regulatory reform issues must still be addressed.

The Panel could advocate for attention to address housing production needs as key economic vitality issue. The Panel could highlight new models, including community revitalization and new development, which supports local and regional economies.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Rebuilding the Dream: Solving California's Affordable Housing Crisis</i>, Little Hoover Commission, May 2002, www.lhc.ca.gov</p>	<p>The Little Hoover Commission is an independent state oversight agency. It initiated this study because housing production has not kept pace with growth, resulting in a critical shortage of housing, and the Commission recognized the potential for this problem to undermine many other public goals. The shortage is growing worse, and housing prices are no longer a cyclical challenge but a worsening problem with economic and social consequences for individuals, employers, communities and regions. The issue is complex, so the Commission focused on three areas: how the State can help make more land available for housing and encourage local governments to ensure that affordable housing is built; ways to increase private investment in affordable housing; and ways to improve the efficiency and impact of housing studies.</p>	<ul style="list-style-type: none"> • California is losing ground with housing production – 2000 is the 11th consecutive year that production fell well short of the annual need. New housing in often not close to job centers, and other areas where it is most needed. Traffic congestion and homelessness are increasing; the economy is threatened. • The State has exerted limited authority to increase production, with limited success in enforcing housing element law. Citizens often overrun the housing element plans for fair share housing, to limit growth and prevent low-income housing production. • The aftermath of Proposition 13 means that local governments do not have budget resources to provide adequate police, fire protection and other services resulting from lower income housing development. • There are not adequate state policies to ensure that local communities provide housing at all income levels. • Brownfields are an undeveloped opportunity to make land available for affordable housing close to jobs centers, break the cycle of deterioration, and enhance the well-being of surrounding neighborhoods. • Diminished investment incentives, coupled with uncertainty and perceived risk, has reduced private investment in affordable housing, especially multi-family. • Public subsidies for affordable housing are inconsistent, unreliable and not allocated in the most efficient ways. Funding sources are fragmented.

Governance & Regionalism Policy Issues

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Growth Within Bounds: Report of the Commission on Local Governance for the 21st Century</i>, State of California, January, 2000. www.CLG21.ca.gov</p>	<p>The Commission on Local Governance for the 21st Century was established by AB 1484 (Hertzberg) in 1997 and initiated in the fall of 1998. The legislation directed the Commission to review current statutes, and, where appropriate, recommend revisions to the laws that govern city, county, and special district boundary changes. Special attention was given to the Cortese-Knox Local Government Reorganization Act of 1985, the 57 local agency formation commissions (LAFCOs) governed by the Act, and citizen participation in local government. In so doing, the Commission also looked at general governance issues to be addressed by the Legislature and the Governor in dealing with how the State will grow. The Commission has ceased operations by statute July 2000, but there have been subsequent legislative changes as a result of the Commission's recommendations.</p>	<ul style="list-style-type: none"> • Our current institutions of government were designed when our population was much smaller and our society less complex. • The future will be shaped by continued phenomenal growth, and failure to recognize and respond to this challenge will risk the attractiveness of California as a place to live and work. • California does not have a plan for growth and there is no comprehensive strategy to determine how the burdens of growth will be shared. • Local government budgets are perennially under siege. • Land use decisions are often made for reasons more related to the finances of the local government rather than the land use needs of the community, and may ultimately erode the future quality of life. • The public is not engaged in and has little interest in the day-to-day functioning of government or preparing plans for future growth. People are confused by the array of government agencies that provide services, and many voters and taxpayers are alienated from the public policy process. • The legal process for restructuring local government to meet these challenges is outdated and often incomprehensible. A comprehensive solution is required.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • The State should implement a comprehensive set of planning policies and fiscal incentives to ensure that local jurisdictions plan for and produce affordable housing, including strengthening and enforcing housing element law, and reforming the housing needs allocation process. • The State should establish policies and incentives that prioritize the reuse of brownfield sites, including establishment of a statewide database, guidelines, and a streamlined approval process, with financial and technical assistance. • The State should promote partnerships like the Community Capital Investment Initiative in the Bay Area, increase the efficiency and certainty of the project approval process, and identify new sources of capital, with the State Treasurers convening a task force. • The State should identify permanent, dedicated sources of funding for the California Housing Trust Fund, promote local housing trust funds, and enact policies to share infrastructure-related costs for affordable housing. • The State should streamline the administration of state affordable housing programs and establish a clearinghouse. 	<p>This report builds on Raising the Roof. See comments above.</p>	<p>See recommendations under Raising the Roof.</p>
Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<p>Issue: Reform of Local Government Reorganization Law:</p> <ul style="list-style-type: none"> • LAFCO policies and procedures should be streamlined and clarified. • LAFCOs should be neutral, independent, and provide for balanced representation for counties, cities, and special districts. <p>Issue: Orderly Growth and Resource Protection:</p> <ul style="list-style-type: none"> • Strengthen LAFCO powers to prevent sprawl and ensure the orderly extension of government services. • Strengthen policies to protect agricultural and open space lands and other resources. <p>Issue: Local Fiscal Reform:</p> <ul style="list-style-type: none"> • Comprehensively revise the state-local fiscal relationship. <p>Issue: Guiding the Directions for Future Growth:</p> <ul style="list-style-type: none"> • The State should develop incentives to encourage compatibility and coordination of all local agencies, including school districts, within each region as a way to encourage an integrated approach to public service delivery and improve overall governance. 	<p>The Commission ceased operations in July, 2000.</p>	<p>The Panel could follow-up on the recommendations of the Commission.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Speaker's Commission on State and Local Government Finance</i>, March 2000 (www.speaker.metroforum.org)</p>	<p>Assembly Speaker Antonio Villaraigosa created this commission, with a charge to recommend changes that would begin to solve the problem of rebalancing the fiscal power of local officials to provide local services and to change the fiscal incentives that will produce more rational growth and development policies. The Commission's work built upon previous fiscal reform issues, with all 36 Commissioners in agreement that fundamental reform is required.</p>	<ul style="list-style-type: none"> • It is time for the Legislature to change the rules that govern the way communities finance their local services because local governments live with a fundamentally flawed fiscal arrangement. • Communities are dependent on the State, and lack a stable and predictable revenue stream by which to support local services. • The current dysfunctional state/local fiscal system is the result of the unintended consequences of Proposition 13, and subsequent failure to address problems. • The tax base to support local services is influenced by institutionally embedded fiscal incentives that distort local growth and development policies. This leads local governments to pursue retain and commercial developments over other land uses, due to sales tax revenues.
Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings

Land Use and the California Economy, Steve Levy, Center for the Continuing Study of the California Economy, 1998, www.newccsce.com

This report address the tensions created by California's rapid growth on the goals of economic prosperity and quality of life; these tensions are often focused on land use decisions. So far, Californians have not found agreement on how to plan for the future. The report was commissioned by Californians and the Land, a group of leaders from the business, government and environmental sectors, convened by several foundations and other organizations to foster public discussion and contribute to solutions. Three issues are addressed: how much growth should California expect and why, how are land use and quality of life issues related to the California economy, and what are the principles to be addressed if Californians are to combine economic growth and a high quality of life for current and future generations.

- Estimated growth for the next ten years: 3 million more jobs, 6 million more residents, and 2 million more households, based on the State's strong economic growth prospects of its leading industries.
- A strong economy attracts new residents and increases pressures on land, the environment and quality of life. Most new residents want to live in existing urban areas. Bold actions are needed to preserve the quality of life and environment – this is the paradox of a strong economy.
- Residents have choices about where growth will occur and what the impacts will be.
- We must begin by recognizing the importance of a high quality of life to business and to general economic prosperity. A high quality of life is a critical determinant in attracting entrepreneurs and workers in global industries, where firms and workers have choices about where to locate. This includes good schools and housing choices.
- Land use decisions play a critical role in determining the quality of life and in how many high wage, high growth firms choose to locate in California's regions.
- Land use decisions affect the location of jobs and housing – today's choices result in longer commutes and more congestion.
- Land use decisions affect the revenues available to communities for public services – under today's fiscal rules there is a disincentive for much new housing and job creation, and funding for quality of life services such as parks and schools is under severe pressure.
- Land use choices affect the environment through impacts on air quality, water availability and quality, and waste disposal; the revitalization of urban areas; development pressures on agricultural lands; and, what lands are developed or preserved.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • The local finance system should facilitate balanced state, regional and local conservation and development policies as well as finance local and regional services. • Local governments should derive their revenues from a diversity of sources, including property tax, sales tax, and general-purpose state subventions. • The finance base of local and regional services should be a constitutionally protected, stable and reliable and be sufficient to assure basic services. • Several fiscal reform ideas include: swapping a portion of the locally levied sales tax for an equivalent amount of the property tax, revising the allocation of property tax over time from tax shifts in the 1990s to support education, and other constitutional recommendations. • Additional recommendations involved governmental accountability, including ways to strengthen the connection between government and the people such as developing performance measures for services. 	<p>Many of the concepts and ideas of the Commission were furthered by the Speaker's Commission on Regionalism and the Commission on Building for the 21st Century. In addition, the Speaker's Commission on State and Local Government Finance identified issues of continuing concern, such as equity issues created by the imbalance in fiscal systems, the structure of transportation funding, and regional growth and development policy, which have been the subject of several legislative proposals.</p>	<p>The Panel could support the need for fundamental fiscal reform to encourage better land use policies, increased development of housing and investments in services to improve local communities and regions.</p>

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Principle One: Regional perspectives are required. Regions are the critical geographic areas for organizing land use decisions in California. A first step is to take existing regional growth projections, along with data on land use, zoning, and environmental needs, and see whether and how the growth can be accommodated. • Principle Two: Land must be used more efficiently. This includes increasing density for existing urban areas, through reusing abandoned and underutilized lands, and by making cities vital and attractive places in which to live and work. • Principle Three: Public investment is required to address existing and projected infrastructure needs. • Principle Four: Fiscal reform is essential. Current fiscal rules give the wrong land use planning incentives. • Principle Five: Equity considerations must be included in the public discussion about developing strategies to deal with future growth. 	<p>Several of the ideas and recommendations in the report contributed to the Commission on Building for the 21st Century and other policy reports. Some regions are developing "footprints" to map and understand regional "carrying capacity." There have been some legislative efforts to require the State to fulfill the mandate of the Office of Planning and Research to update the State Environmental Goals and Policy Report, which is an urban growth strategy for the State. Other legislative proposals and some new programs provide incentives to link housing, transportation, and land use decisions on a regional basis. The State Treasurer advocates use of equity considerations in ranking criteria for infrastructure investments.</p>	<p>The Panel could emphasize the importance of the regional land use perspective and reform strategies to result in better land use decisions and actual use of land – as key for regional quality of life and economic prosperity.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>The New California Dream: Regional Solutions for 21st Century Challenges</i>, Speaker's Commission on Regionalism, February 2002, www.regionalism.org</p>	<p>This Commission was established by Speaker Robert Hertzberg to study and recommend new state policies that would support more effective solutions to some of the State's most serious and immediate long-term issues: economic competitiveness, underemployment, traffic congestion, unaffordable housing and loss of open space, among other things. California is a state of regions; issues once addressed successfully at the state or local levels must now be addressed at the regional level also. Recommendations are made in the areas of: the economy, social and economic equity, state-local fiscal reform, livable communities in 2020 for 46 million residents, schools and universities as centers of communities and anchors of regional development, enhancing environmental quality, performance-based regional collaboration as a better governance model, and reform of state government.</p>	<ul style="list-style-type: none"> • The State faces many challenges at the start of the 21st century including high levels of population, housing and job growth; an increasingly diverse population; lagging infrastructure; a dysfunctional state local fiscal system; and increasing income disparities. • State and local governments lack sufficient constitutional or legislative authority, planning processes, funding schemes, or even public trust, to tackle problems successfully at the regional level. • A new mode of governance is required – regional stewardship – collaboration among local and state government and the private and civic sectors.

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>Survey of Economic Development Professionals</i>, California Economic Strategy Panel, 2000</p>	<p>In 1999, the California Economic Strategy Panel interviewed more than 40 regional economic development professionals to determine the impact of the 1996 California Economic Strategy in the field. The project concept originated at the Panel's La Jolla retreat in late 1998, where participants wanted to understand and document how the new concepts and approaches advocated by the Panel were being used throughout California's regions. The key concepts were of a new economy that is knowledge-based, networked, global and fast; emerging industry clusters that are region-based; significance of workforce development as an economic priority; and the need for collaborative models of governance. The survey also identified recommendations for the work of the Panel's next planning cycle, as well as state-level needs to support regional economic development initiatives.</p>	<ul style="list-style-type: none"> • The concepts of the State's strategy are being vigorously embraced, and these activities reflect a shift in both thinking and implementation of new strategic approaches to address regional issues. A system change is underway in how people conceive of and perceive economic development. • New partnerships and collaborative efforts to address community problems involving local industry, business and community members are being created. • What started as a process to build an effective economic strategy and generate wealth and jobs has evolved into a more inclusive strategy for creating shared prosperity and enhanced quality of life. • Policy area needs for State economic development assistance for regions: good economic data, including emerging industry cluster needs, and addressing quality of life issues, meaning an integrated approach to economic development (linkages between economic, environmental, and social health and wealth of the community). Workforce education and training, infrastructure, and regulatory assistance were also high priorities.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Reinstate the California Economic Strategy Panel, assist regions with better economic data and technical assistance, support the creation of a cabinet-level agency for workforce investment and encourage urban reinvestment, among others. • Address state/local fiscal reform by protecting local revenues, encouraging regional tax sharing, and incentivizing regional “home rule.” • Adopt processes for collaborative regional planning across local jurisdictions and across fields of interest. • School construction funding should support the idea of schools as centers of community, encourage joint use and other efficiencies, and support urban reinvestment. • Adopt policy and financial incentives for negotiated regional compacts. 	<p>Among recent actions, the Governor appointed members to the Economic Strategy Panel and it is in process of strategic planning. The Legislature approved the Governor’s plan for the Labor and Workforce Development Agency. A controversial bill for regional revenue sharing (AB 680 Steinberg) was withdrawn but has raised the profile of this issue.</p>	<p>The Panel could follow-up on the recommendations of the Commission.</p>

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<p>Recommended/possible roles for the Economic Strategy Panel in meeting the policy needs: new economy tracker/advocate/catalyst; data analyst/information disseminator; facilitator/capacity builder; policy strategist – to help the State be more strategic in its overall economic strategy, help create policy support to increase regional investments, and build the capacity of regions. Many policy areas were identified.</p>	<p>The Panel’s hiatus until 2002 delayed follow up on many of the policy areas and regional assistance needs. The survey results picked up the emerging importance of land use, infrastructure and broad quality of life issues for regional economic prosperity – as issues that economic development practitioners were increasingly grappling with and for which they desired assistance. The needs for good economic information is more compelling than ever and is being followed up in part by the Interagency Agreement between the California Workforce Investment Board and the Technology Trade and Commerce Agency. The need for sector-driven employment and training strategies has been recently validated in a demonstration project implemented by the California Center for Regional Leadership in concert with the Employment Development Department, but is not yet state policy. By and large the identified policy needs and potential roles for the Panel are still valid.</p>	<p>The Panel could review, assess and update the recommendations through a consultation process with selected regional economic development professionals.</p>

Report (Author, Title Affiliation, Date, Internet Link)	Overview	Key Findings
<p><i>The Economic Future of the San Joaquin Valley, Prepared by Collaborative Economics for New Valley Connections</i>, January 2001, www.greatvalleycenter.com</p>	<p>This report assessed the potential areas of economic activity that could be successfully undertaken in the San Joaquin Valley and identifies those with the greatest potential. The report provided an overview of the San Joaquin Valley economy and makes specific recommendations regarding areas of potential expansion. The report is being used by the Great Valley Center and the New Connections Program to invite additional discussion and promote implementation of the recommendations.</p>	<p>The report points out that the San Joaquin Valley faces enormous challenges with rapid population growth, high unemployment, and wide ethnic diversity. Per capita personal income has actually declined over the past decade while the rest of California has enjoyed historic economic prosperity. However, the region has the potential to move competitively into the new economy. The report focuses on opportunities that are achievable in the next 10 to 20 years and builds on the region's assets and traditions to take advantage of the new economy. "Economic success will require regional cooperation and committed leadership from every sector - and that includes agriculture," stated Carol Whiteside, Great Valley Center President. "We are seeing that success in this fast-paced environment depends on our ability to create a regional strategy and to use available technologies to our advantage."</p>

The Economic Future of the San Joaquin Valley offers answers to two significant questions: What can be the economic future of the San Joaquin Valley, and how can the region achieve that future? Asserting that a prosperous and thriving regional economy is achievable, the report identifies six opportunity areas and outlines seven strategic recommendations:

The six opportunity areas are:

- Flexible Food Manufacturing: transforming more agricultural products into manufactured food products to respond quickly to changing consumer demands.
- Precision Irrigation Technology: increasing the competitiveness of the existing irrigation industry by focusing more on international trade and entrepreneurship development through collaborative relationships with universities, competitor companies, and water users and suppliers.
- Agriculture Technology: leveraging current university-based research in precision agriculture and agricultural biotechnology to build a concentration of expertise that can be exported worldwide.
- Agile Industrial Manufacturing: developing and connecting the current manufacturing base into an agile manufacturing cluster, serving diverse markets outside the region, based on the ability to produce customized products quickly in an environment of change and uncertainty.
- Advanced Logistics: mass customizing of a product in a “smart warehouse” to adapt to a specific order in response to a specific demand.
- Smart Commerce and Customer Services: moving beyond traditional call centers to high-value, comprehensive “smart” customer services, integrating e-mail, fax, Web interactions, and voice services.

The seven strategic recommendations to support the six opportunity areas are:

- Regional Leadership: developing “networks of responsibility” in the region that will drive the testing, refining, promotion, and implementation of the vision.
- Cluster Networks: creating intermediary institutions, personal relationships, and electronic networks that expedite collaborative partnerships among cluster companies, education institutions, and other organizations.
- Innovative Workforce: developing a computer and information-technology literate workforce from K-12 through community colleges and universities and people capable of learning throughout their lifetimes.

continued on page 65

The report has received significant attention through broad distribution throughout the San Joaquin Valley. It has also been used as a topic for discussion at a number of meetings held by the Great Valley Center and the New Connections program. The report is thought to have had an impact on elected leaders regarding the benefits of a regional approach to economic development. In addition groups have been formed to follow up on the specific recommendations.

The Panel could hold a regional forum regarding the economy of the San Joaquin Valley Region or address cross-regional issues with the Bay Area Region.

The Economic Future of the Sacramento Valley, Prepared by Collaborative Economics for the New Connections Program of the Great Valley Center, September 2001, www.greatvalleycenter.com

This report provides an overview of the ten county Sacramento Valley economy and assesses its current trends and economic conditions. Based on this analysis the report offers specific recommendations regarding the most profitable industries that can be pursued by each of the four distinct areas of the Sacramento Valley, which are identified as the Sacramento Metropolitan Region, the North Valley, the Mid Valley and the Agricultural Heartland.

In order to succeed in the competitive global economy, each of these regions must focus on distinctiveness, diversity and quality. They must also have the leadership necessary to proceed in these directions. While some progress in this direction has been made the Sacramento Valley, with the exception of the greater Sacramento Area, is still dependent on low-cost land and labor, natural resources, and a rural quality of life to attract new industry. Although these are still important factors more attention must be paid to the quality of the labor force, innovative uses of natural resources and a broader range of attractions to meet quality of life demands.

Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<ul style="list-style-type: none"> • Technology Development Community: developing a community of applied research professionals in companies and universities that work closely with the cluster industries and involve the research of the University of California, Merced and the CSU campuses. • Entrepreneurship: cultivating innovation economy entrepreneurs and next-generation business leadership. • Regional Identity: shifting mind-sets in and outside the region toward a positive vision of the future and the behavior change necessary to achieve it. • Livability/Environment: consciously creating a high-quality living environment attractive to knowledge workers, including vital downtowns, protected open space and landscapes, and preserving in some places the distinctive landmarks and physical character of the rural West. 		
Key Recommendations	Status/Evaluation	Recommendations for Role of the Panel
<p>The report finds that there are ten areas of specialization that would be appropriate for the Sacramento Valley and/or its individual counties:</p> <ul style="list-style-type: none"> • Specialized Agricultural Products • Electronics • Wood Products • Scientific and Health Products • Business and Professional Services • Health Care • Tourism • Logistics • Software • Recreational Equipment <p>The report identifies those industrial sectors that would be most appropriate for each of the four designated economic areas in the Sacramento Valley and recommends six specific areas where leadership will be needed for building appropriate foundations for success.</p> <ul style="list-style-type: none"> • Education and Training • Entrepreneurship • Technological Innovation • Physical Infrastructure • Industry Networking and Recruitment • Quality of Life 	<p>The report was widely distributed and has been the subject of a number of meetings and discussions. Follow up by the Great Valley Center and the New Connections Program appears to have been more limited than for the San Joaquin Valley report.</p>	<p>The Panel could hold a regional forum regarding the economy of the Sacramento Valley Region or address cross-regional issues with the Bay Area Region.</p>

A d d e n d u m V



Summary of Policy Committee Meetings

California Economic Strategy Panel

Economic Data and Information Policy Issue Committee

Summary

Background

The members of the California Economic Strategy Panel defined the following four policy issue areas that are critical for the growth and competitiveness of the state's economy:

- Workforce Development and Education Policy Committee (Senator Vasconcellos, Donald Fowler, Bill Simmons, and Amy Dean);
- Economic Data and Information Policy Committee (Donald Fowler and Bill Simmons);
- infrastructure Policy Committee (Senator McPherson, Jerold Neuman, Ricky Laster, Lee Pearson and Vincent Chong); and,
- Governance and Regionalism Policy Committee (Sunne Wright McPeak and Araceli Ruano).

The members agreed to meet with technical advisors to review statewide and regional policy reports in each of the above areas and discuss the role, if any, the California Economic Strategy Panel can play. The result will be a two-year workplan beginning in January, 2003.

The following provides a summary of the discussion and recommendations for the workplan by the Economic Data and Information Policy Committee on September 10, 2002.

Summary of Discussion

Common themes in policy reports reviewed by staff (refer to CESP Economic Data and Information Matrix) and key discussion points included the following:

- The panel should continue to do economic base analyses and identify what is growing and declining in the economy.
- There is a need for data at the right scale, presented in an understandable format; i.e., capacity, time and skills to analyze the data.
- Relevant, timely data availability will determine how the California Economic Strategy Panel can make meaningful policy recommendations.

- The Labor Market Information Division in the California Employment Development Department is currently building a new website, "Workforce Informer," that will include analyses and articles, in addition to data sets.
- Rather than talking about economic predictions or forecasts, the California Economic Strategy Panel should talk about probabilities in the economy.
- The California Economic Strategy Panel should interpret data, listen to industry leaders and tell the story about the dynamics and trends in the economy.
- The California Economic Strategy Panel should use existing statewide data systems to make good investment policies.

Recommendations

The Economic Data and Information Committee proposed the following recommendations:

- The California Economic Strategy Panel should ensure that the need for a database that is available, consistent and updated regularly is met.
- The California Economic Strategy Panel should ensure that the need for real-time economic information that enables Local Workforce Investment Boards to make timely policy decisions is met.
- The California Economic Strategy Panel should regularly produce a portfolio of economic information that would be useful for policymakers at the local, regional and state levels.
- The California Economic Strategy Panel should draft guiding principles for the provision and use of economic data.

Technical Advisors

Doug Brown
Michael Curran
Jim King
Nick Bollman
Paul Gussman
Richard Holden
Ed Kawahara

California Economic Strategy Panel

Workforce Development and Education Policy Issue Committee

Summary

Background

The members of the California Economic Strategy Panel defined the following four policy issue areas that are critical for the growth and competitiveness of the state's economy:

- Workforce Development and Education Policy Committee (Senator Vasconcellos, Donald Fowler, Bill Simmons, and Amy Dean);
- Economic Data and Information Policy Committee (Donald Fowler and Bill Simmons);
- Infrastructure Policy Committee (Senator McPherson, Jerold Neuman, Ricky Laster, Lee Pearson and Vincent Chong); and,
- Governance and Regionalism Policy Committee (Sunne Wright McPeak and Araceli Ruano).

The members agreed to meet with technical advisors to review statewide and regional policy reports in each of the above areas and discuss the role, if any, the California Economic Strategy Panel can play. The result will be a two-year workplan beginning in January, 2003.

The following provides a summary of the discussion and recommendations for the workplan by the Workforce Development and Education Policy Committee on September 10, 2002.

Summary of Discussion

Numerous policy reports on workforce development and education have been completed in recent years (refer to CESP Workforce Development and Education Matrix). Common themes in the policy reports that are of interest for the work of the California Economic Strategy Panel include:

- Link the education, workforce preparation and economic development systems statewide;

- Provide opportunities for education and training for all Californians that go beyond categorical funded programs;
- Continuously provide data and information on the industrial base and employment patterns and facilitate greater efficiency and coordination in gathering and distributing useful information that more accurately describes the economy.
- Address California employers' need for state assistance to attract and retain (vs. training) skilled workers.
- Address whether California employers are less interested in tax credits and development subsidies (rebate on property taxes) than in a qualified labor pool and lifestyle/quality of life.
- Focus of the workforce development system should be more on building communities, rather than solely focusing on the unemployed.
- The California Economic Strategy Panel should challenge statewide systems to give customers what they need, when they need it.
- There is a need to make investments that result in collaboration of categorical programs; in the current Workforce Investment Act system, there is no financial incentive to collaborate, as opposed to simply participate or co-locate.
- The observation was made that the categorical system of workforce development programs is probably incapable of systemic reforms, or cannot respond to systemic changes. The Workforce Investment Act does provide the Governor and the Workforce Investment Board the authority to spend money differently although some states have taken creative steps.
- Introduce legislation that will provide accountability for the workforce development system by defining goals, identifying the players, and insisting the players come to the table to help design, in statute, the basic components of the system, as well as provide accountability measures.
- Establish a Business Advisory Board or regularly hold forums with representatives from state business and industry organizations (e.g. California Business Roundtable, California Chamber of Commerce, California Technology and Manufacturing Association and Education Roundtable), regional business leaders, educators (e.g. County Superintendents and Proposition 10 County Commissioners) and Local Workforce Investment Board members.
- The California Economic Strategy Panel should define a policy statement that shows how the four policy issues converge and are the critical policy areas for the future growth and competitiveness of the California economy.
- Establish a formal relationship between members of the California Economic Strategy Panel and members of the California Workforce Investment Board and designate a member of each to regularly attend the others' meetings.
- Organize a communications/media strategy when the final California Economic Strategy Panel report for this current biennial cycle is completed in December 2002.

Technical Advisors:

Doug Brown
Michael Curran
Jim King
Nick Bollman
Paul Gussman
Richard Holden
Ed Kawahara

Recommendations

The Workforce Development and Education Committee proposed the following recommendations:

- Define the California Economic Strategy Panel's role as the convener of key players and executives to provide intellectual leadership and continuously define a vision of the California economy.

California Economic Strategy Panel

Infrastructure Policy Issue Committee

Summary

Background

The members of the California Economic Strategy Panel defined the following four policy issue areas that are critical for the growth and competitiveness of the state's economy:

- Workforce Development and Education Policy Committee (Senator Vasconcellos, Donald Fowler, Bill Simmons, and Amy Dean);
- Economic Data and Information Policy Committee (Donald Fowler and Bill Simmons);
- Infrastructure Policy Committee (Senator McPherson, Jerold Neuman, Ricky Laster, Lee Pearson and Vincent Chong); and,
- Governance and Regionalism Policy Committee (Sunne Wright McPeak and Araceli Ruano).

The members agreed to meet with technical advisors to review statewide and regional policy reports in each of the above areas and discuss the role, if any, the California Economic Strategy Panel can play. The result will be a two-year workplan beginning in January, 2003.

The following provides a summary of the discussion and recommendations for the workplan by the Infrastructure Policy Committee on September 26, 2002.

Summary of Discussion

Common themes in policy reports reviewed by staff (refer to CESP Infrastructure Matrix) and key discussion points included the following:

- The Infrastructure Matrix and discussions by the Infrastructure Committee need to address water and telecommunications infrastructure as critical demands for the future economic growth and competitiveness of the California economy.
- Consistent themes of California infrastructure needs in the past ten years are 1) the need to invest a huge amount of capital; 2) integrate strategic planning and strategic return on investment; and, 3) "fix it first."
- There is a need to resolve obstacles and detriments because of local controls that were established under different infrastructure demands (i.e. right-of-way for laying fiber optics and cable).
- The infrastructure demands of intermodal (ship and rail transport) goods movement is enormous and impact future growth and competitiveness of the state's economy.
- The California Economic Strategy Panel should "tell the story" about the symbiotic relationship between infrastructure and the economy; what the universe of infrastructure is and identify elements that are the most critical statewide and regionally, short-term and long-term.
- The California Economic Strategy Panel should work with a marketing firm to develop talking points about the economy and how infrastructure such as transportation, water, energy and educational facilities impact growth and competitiveness.
- The challenge is to fix and improve existing infrastructure, such as telecommunications, for the best benefit and the least cost.
- UCLA has established a California Infrastructure Project to "uncover the relationship between infrastructure systems and economic development within the state."
- The California Economic Strategy Panel should convene the various organizations involved in infrastructure issues such as UCLA, research institutes around water use and state agencies.
- Old ideas will not work in the future; we need new technologies for new products such as the ability to capture and store rainfall and desalinization plants.

Recommendations

The Infrastructure Committee proposed the following recommendations:

- The California Economic Strategy Panel should affirm the critical linkage between a strong infrastructure and economic growth and competitiveness.
- The California Economic Strategy Panel should convene key decision-makers to 1) identify new sources of funds and new financing methods; 2) develop a planning driven method versus a project-based or pork barrel; and, 3) develop a return-on-investment accountability method, for infrastructure investment.
- The California Economic Strategy Panel should "tell the story" for the need of a strong, improving goods-movement transportation system and to effectively compete for TEA-21 reauthorization funds in 2003
- The California Economic Strategy Panel should work with a marketing firm to tell a consistent story about the California economy and critical policy changes needed for sustained growth and competitiveness.
- The California Economic Strategy Panel should review and comment on the Water Resources Board Five-Year Plan.
- The California Economic Strategy Panel Members should be on speaking circuits, invitee lists and members of other policy groups discussing the infrastructure demands of the California economy.
- The California Economic Strategy Panel should recommend to the Governor and the Legislature the completion of an inventory of State government owned assets.

Technical Advisors

Jeff Brown
Nick Bollman
Chris Cochran
Ed Kawahara

California Economic Strategy Panel

Governance and Regionalism Policy Issue Committee

Summary

Background

The members of the California Economic Strategy Panel defined the following four policy issue areas that are critical for the growth and competitiveness of the state's economy:

- Workforce Development and Education Policy Committee (Senator Vasconcellos, Donald Fowler, Bill Simmons, and Amy Dean);
- Economic Data and Information Policy Committee (Donald Fowler and Bill Simmons);
- Infrastructure Policy Committee (Senator McPherson, Jerold Neuman, Ricky Laster, Lee Pearson and Vincent Chong); and,
- Governance and Regionalism Policy Committee (Sunne Wright McPeak and Araceli Ruano).

The members agreed to meet with technical advisors to review statewide and regional policy reports in each of the above areas and discuss the role, if any, the California Economic Strategy Panel can play. The result will be a two-year workplan beginning in January, 2003.

The following provides a summary of the discussion and recommendations for the workplan by the governance and Regionalism Policy Committee on September 30, 2002.

Summary of Discussion

Common themes in policy reports reviewed by staff (refer to CESP Governance and Regionalism Matrix) and key discussion points included the following:

- The California Economic Strategy Panel has been the catalyst for regional concepts and demands of regional economies and industry clusters.

- Economic vitality is key to improving quality of life and solving the state budget crisis.
- There has been much progress by local organizations organizing regionally and addressing policy issues such as infrastructure demands on a regional basis.
- There are four economic development roles for the State: 1) strategic planning by State agencies and departments around economic regions and industry clusters; 2) leadership through a statewide, non-profit corporation such as Michigan and Florida; 3) statewide economic network with the state taking on the role of "connector;" and, 4) system that encourages investment, new mechanism that brings regions together and continuous mechanism to provide economic data and information.
- There are three elements for the success of economic development: 1) regional organizations; 2) industry clusters; and, 3) public/private investments.
- There is a need to align regional demands (i.e. rural v. urban or lack of telecommunications infrastructure such as the San Joaquin Valley v. over supply of telecommunications infrastructure such as the Bay Area) with regional supply through bold public/private investments and partnerships.
- The California Economic Strategy Panel could provide guiding principles for a new investment process of state funds and services that matches regional demands and is timely and flexible.
- Investment should be made that results in collaboration, compacts or incentives for people and organizations to come together at the regional level.
- Regions are organizing and solving problems; however, issues around transportation, water, labor market and education transcend regions.
- There is a need for economic leadership for a resilient economy that is continuously innovative.
- It's about wages and industry clusters become means to raise wages.

- Roll out the report of the California Economic Strategy Panel to Legislative Committees, new members, business associations and local organizations.

Recommendations

The Governance and Regionalism Committee proposed the following recommendations:

- The California Economic Strategy Panel should promote shared economic goals for 1) economic resiliency; 2) rising per capita income that is widely shared; 3) good jobs with career ladders; and, 4) competitiveness and innovation.
- The California Economic Strategy Panel should document new economic realities that 1) different industry clusters/workers are emerging in each region; and, 2) regions are collaborating around distinct strategies to support their unique industry cluster opportunities.
- The California Economic Strategy Panel should articulate workforce, infrastructure, capital and technology resources and investments are required from the state to support these industry clusters.
- The California Economic Strategy Panel should create a *California Economic Leadership Network* that is based on 1) "bottom-up," state-wide public/private partnership; 2) regionally focused; 3) industry cluster/worker driven; and, 4) aligning state infrastructure with regional industry cluster demands.

Technical Advisors

Doug Henton
Pat Lanthier
Jim King
Ed Kawahara

A d d e n d u m V I

Agenda and Summary of Meeting on October 10, 2002

Agenda

October 10, 2002

9:00 A.M. – 12:30 P.M.

Oakland City Council Chambers

Hearing Room 3

1 Frank Ogawa Plaza (aka 1 City Hall Plaza)

Oakland, CA

(510) 238-3226

9:00 Welcome, Self Introductions and Purpose

Lon S. Hatamiya, Chair and Secretary
California Technology, Trade and
Commerce Agency

Trish Kelly, Recorder and Consultant
Economic Development Consultant

9:05 Highlights of the Senate Select Committee on Economic Development Hearing (Held on October 9, 2002)

Senator John Vasconcellos, Chair of
the Senate Select Committee on
Economic Development

9:15 Economic Update

Steve Levy, Director
Center for the Continuing Study of
the California Economy

9:30 Discussion of Recommendations from the Infrastructure Policy Committee

Jerold Neuman, Partner
Allen, Matkins, Leck, Gamble &
Mallory LLP

Nick Bollman, Principal Technical
Advisor and President & CEO
California Center for Regional
Leadership

10:00 Discussion of Recommendations from the Economic Data and Information Policy Committee

Donald L. Fowler, Vice President
TechNet

Michael Curran, Principal Technical
Advisor and Director
NOVA Workforce Board

10:30 Discussion of Recommendations from the Workforce Development and Education Policy Committee

Supervisor Bill D. Simmons, Director
Regional Career Center/Yuba County
One Stop

Paul Gussman, Principal Technical
Advisor and Deputy Director
California Workforce Investment
Board

11:00 Discussion of Recommendations from the Governance and Regionalism Policy Committee

Sunne Wright McPeak, President &
CEO
Bay Area Council

Doug Henton, Principal Technical
Advisor and President
Collaborative Economics, Inc.

11:30 Facilitated Discussion of a 1/1/03-12/31/04 Workplan for the California Economic Strategy Panel

Panel Members

Jim King, Facilitator and President
JK, Inc.

12:20 Public Comments

12:30 Adjourn

California Economic Strategy Panel

Summary of the October 10, 2002 Meeting

Background

The following provides a summary of the California Economic Strategy Panel meeting held on October 10, 2002. The primary purpose of the meeting was to discuss recommendations from the four policy committees that the Panel established as critical to the growth and competitiveness of the state's economy. The policy areas are 1) workforce development and education; 2) infrastructure; 3) economic data and information; and, 4) governance and regionalism. The outcome of the meeting was to define a role and develop a workplan framework for the California Economic Strategy Panel for the next biennial planning cycle beginning January 1, 2003 through December 31, 2004.

A draft workplan framework will be discussed at the next California Economic Strategy Panel meeting scheduled on December 2, 2002 from 9:30 A.M. to 12:30 P.M. at the California Chamber of Commerce, 1215 K Street, 14th Floor, Sacramento, CA 95812-1736.

Summary of Recommendations

Based on recommendations from the four policy committees and discussion during the meeting, the principal roles for the California Economic Strategy Panel is to provide:

- Leadership

The Panel is the catalyst for connecting regional innovation and economic demands and framing state-level policies and investments through a bottom-up governance process and collaboration.

- Vision

The Panel monitors and interprets the performance of the economy in order to continuously articulate the vision of the next California economy.

- Strategy

The Panel performs on the four cornerstones of 1) "real time" economic data and information; 2) better workforce connections focused on regional industrial clusters; 3) infrastructure investments linked to the next economy; and, 4) a robust state/regional economic leadership network that includes the local Collaborative Regional Initiatives, Workforce Investment Boards, Economic Development Corporations and other groups.

Summary of Meeting

- Highlights of the Senate Select Committee on Economic Development Hearing on *Accountability for State Investments in Economic Development* Held on October 9, 2002

Eight California Economic Strategy Panel Members participated in the hearing.

There is a need for the State to be more strategic in making budget decisions for economic development and to be held accountable.

There is a need for a functional, universal budget plan for economic development.

There is a need to be strategic to make state budget decisions.

There is a need for a comprehensive budget expenditure list that includes tax credits and incentives.

There is a need for a broader definition of economic development that starts with principles and outcomes for economic well-being that go beyond programs and agencies. This definition would recognize that economic development is a process.

There is a need to link the work that is taking place in regions.

Economic development is a process that needs to be on-going and not a means to an end.

There is a need for the California Economic Strategy Panel to play a leadership role.

- Discussion on the California and National Economy

There is a need to question what is a normal economic growth rate. How much below or over is a normal growth rate over what period of time?

There is a distinction between what the federal government can do versus states in stimulating the economy.

Economists in power (i.e. Federal Reserve Board) did what needed to be done such as drop in interest rates.

There is a national shortfall in demand.

There is a need to put money out such as a \$300 billion federal stimulus package for 1) security; 2) replace state and local revenues lost to recession; and, 3) cut payroll tax for low income workers and a balanced tax cut.

A federal stimulus package might build confidence and send the message that "someone is minding the store." A federal stimulus will help state budget shortfalls and may offer opportunities for investments.

The California Economic Strategy Panel could address the issues of 1) the conflict of the role of state government having anything to do with the economy; 2) the conflict of whether the state budget can be balanced; and, 3) the conflict regarding planning requirements for growth especially the demand for housing.

The California Economic Strategy Panel could look at ways and means to measure how the economy is performing and areas where the economy is underperforming and what, if anything, state government can do.

The California Economic Strategy Panel needs to be able to discuss economic performance objectively and candidly without political constraints.

The California Economic Strategy Panel could look at capacity issues and how to stimulate demand.

A consolidated investment plan helps determine what role or impact state government can have, especially in times of high risk.

The California Economic Strategy Panel could continuously provide analyses of economic performance and play a role similar to the National Conference of Economic Advisors.

The California Economic Strategy Panel could provide economic impact analyses such as the impact of lack of housing on productivity. The supply side is not keeping up with demand, which is driving up costs. This is exacerbated by a shortage of skilled construction workers.

The California Economic Strategy Panel could look at the role of government in areas such as housing and the need for a state policy similar to thirty-five other states with housing policies.

- **Discussion of Recommendations from the Infrastructure Policy Committee**

Numerous reports document the cycle of deferred maintenance for over 20 years and the economic impact of this under investment.

Infrastructure investment will put dollars into circulation and stimulate the economy as well as drive policies for development in certain areas.

The California Economic Strategy Panel could lead state government to 1) use available resources in a coordinated and targeted manner to invest in infrastructure that has impact on the economy (not invest in infrastructure for the sake of infrastructure); 2) find better investment models such as the Alameda Corridor model for public/private investments and better utilization of assets owned by State government (begin with an inventory of state assets related to infrastructure); and, 3) get beyond localism for infrastructure of statewide significance and demand such as wireless communications.

The California Economic Strategy Panel can further the recommendations in *Invest for California Strategic Planning for California's Future Prosperity and Quality of Life* by the Commission on Building for the 21st Century.

The California Economic Strategy Panel should look at housing issues such as substandard existing housing and growing demands of new housing in rural Northern California where there are few incorporated cities and the cost of development falls on the Counties and developers.

Policy discussions are needed on how and where infrastructure investments need to be made instead of through bond measures.

Infrastructure investment has to be planned for where growth will be, especially in rural areas.

Collaborative planning efforts are essential.

The California Economic Strategy Panel needs to communicate resolutions for infrastructure needs at the regional level in real time.

The California Economic Strategy Panel needs to take bold moves especially in regards to telecommunications/information infrastructure.

There is a need to recognize that information infrastructure may have the greatest future impact on the economy.

- **Discussion of Recommendations from the Economic Data and Information Policy Committee**

There is a need for better economic information that is readily available for decision-making at all levels.

There is a need to talk about probabilities and not predictions about the economy.

The use of economic information and data is redefining training demands.

There are several barriers to retrieve and access economic information and data

including 1) data collected for other reasons such as ES 202; 2) access to sources such as the Labor Market Information Division is limited; and, 3) the collection of information is weak and inconsistent.

There is a need to understand the different mixes in the industrial base that then require different infrastructure support.

There is a need to make investment policy decisions based on economic data.

There is a need to start with "what the economy is doing."

- **Discussion of Recommendations from the Workforce Development and Education Policy Committee**

There is a need to link the education and training systems to the economy statewide.

Categorical funding is a barrier. Dialogue is required to address how to integrate systems.

There needs to be a link between the California Workforce Investment Board and the California Economic Strategy Panel.

The California Economic Strategy Panel could be a convener/leadership for continuous information flow through public forums and outreach. There is a need for coherence and to interface among business/industry, education and training at the regional level that links with the economy in real-time engagement.

The critical issue with technology-based companies is not manufacturing tax credit or income/corporate tax, but the quality of the workforce and quality of life issues.

- **Discussion of Recommendations from the Governance and Regionalism Policy Committee**

A key issue is how will there be a mechanism most supportive for the economic well-being of the state. State government is not organized to reflect the nature of the economy.

There is a need for a bold, new governance structure, building on the new understandings of how the economy works (i.e. industry clusters, relationships between local, regional and state demands and collaboration).

There is a need for a “California Economic Leadership Network” based on a stewardship model that 1) supports regional collaboration; 2) connects regional innovation to the state; 3) engages key stakeholders; and, 4) helps steer overall strategy.

There already is civic engagement in regions around data, information, workforce and economic development that need to be connected and connected with the state.

There is a need to reorganize how we work together.

Water issues are an example of the need for regional collaboration and consequences on the economy.

Summary of Discussion for a 1/01/03 – 12/31/04 Workplan for the California Economic Strategy

The California Economic Strategy Panel’s job is to analyze and watch over the economy and make recommendations for state investments.

If the economy is under performing, there is a need for economic leadership for investment policies.

Economic regions in California compete with other states and global regions. Information is critical to make decisions.

The California Economic Strategy Panel could be the “connector” or “integrator” and be stewards for outcomes.

If we (the California Economic Strategy Panel) are to play this role, then we will need money, guns or, at least, a uniform.

The California Economic Strategy Panel should study and monitor the economy, make general policy recommendations that impact the economy and influence decision-making.

The California Economic Strategy Panel should be the public voice for the economy, explain where the economy is today and provide leadership.

The California Economic Strategy Panel should track and benchmark the economy, identify emerging issues, communicate issues, advocate and recommend policies and serve as a steward of the economy.

There is a need for a communications plan and events to include others in this process.

Addendum VII

**Draft Workplan Framework for
1/01/03 – 12/3/04**

Background

The current members of the California Economic Strategy Panel convened its first meeting on April 11, 2002. Recognizing that the biennial planning cycle requires the Panel to complete a report by December 31, 2002 the members agreed to produce a workplan for the next biennial period from January 1, 2003 through December 31, 2004.

The meeting on April 11, 2002 identified four major themes that would provide the basis for further discussion and analyses. The major themes were:

- **Understanding the Changing California Economy** (i.e. identify and analyze current industry clusters and regional economic development; analyze the impact of globalization, especially the changing nature of supply chains; analyze uneven regional growth, especially the needs of rural economies and disadvantaged urban communities, and how they relate to larger economic regions; and, examine the next regional economies of California driven by new waves of innovation such as bio/life sciences, nano, telecommunications and new energy technologies);
- **Connecting Emerging Job Trends and Occupational Demands to Workforce Training** (i.e. monitor changing regional economies on a regular basis to report job trends and occupational demands; analyze demographic trends, especially diversity and their impact on regional economies and demands of leading industry clusters; and, connect economic strategy with workforce development strategy on a continuous basis);
- **Adapting Infrastructure to the Changing Economy** (i.e. analyze how the changing economy creates different infrastructure requirements by industry clusters and across regions; analyze how regulatory policies impact infrastructure development such as telecommunications; and, identify

innovative ways to invest in infrastructure such as more efficient materials, construction processes and transportation systems); and,

- **Matching Regional Governance with the “Next Economies”** (i.e. analyze how the new economic realities require examining alternative regional governance models; examine ways to better connect regional economic development efforts with inter-regional partnerships; and, identify ways to better align regional needs with state resources and policies).

On May 23, 2002 the California Economic Strategy Panel convened to discuss with economists, experts in infrastructure investments and development, and professionals in regional economic and workforce development the most critical issues and demands for economic growth and competitiveness and what could be the role of the Panel. The following roles and responsibilities surfaced during the discussion:

- **Economic Analyses** (i.e. identify the drivers of regional economies and job growth; identify and examine opportunities and constraints of leading and emerging industries; and, identify distinct needs of and opportunities for rural and remote economic regions);
- **Issues Identification** (i.e. identify policy issues important for the success of the California economy over the longer term, incorporating broader competitiveness requirements including quality of life and equity considerations; and, identify public sector investment priorities, especially in the context of holistic planning); and,
- **Policy Recommendations and Collaboration** (i.e. serve as a “vortex” for California’s economic future by bringing leading thinkers and professionals together to the table, and helping Californians understand critical prosperity issues and investment needs; provide economic policy leadership across state agencies; develop strategies

towards realigning state policies, systems, resources and programs; clarify partnership roles and help link system partners; and, connect regional economies and industry cluster relationships across regions, and communities within regions).

The Panel members divided into groups to work with Technical Advisors for in-depth analyses in the following four policy areas:

- **Infrastructure Policy Committee** (Senator Bruce McPherson, Jerold Neuman, Lee Pearson, Vincent Chong and Ricky Laster);
- **Economic Data and Information Policy Committee** (Donald Fowler and Bill Simmons);
- **Workforce Development and Education Policy Committee** (Senator John Vasconcellos, Bill Simmons, Donald Fowler and Amy Dean); and,
- **Governance and Regionalism Policy Committee** (Sunne Wright McPeak and Araceli Ruano).

A summary review of statewide and regional policy reports published in the past 3-4 years regarding the above four policy areas was completed in a matrix format by Technical Advisors and served as a basis for discussion during committee meetings held in August and September, 2002.

On October 10, 2002 reports summarizing discussions and recommendations from each of the policy committees was presented and discussed by the full Panel. The following provides a workplan framework and proposed activities primarily based on policy committee recommendations and summary of the October 10, 2002 California Economic Strategy Panel meeting.

Workplan Framework

The principal role of the California Economic Strategy Panel is to provide:

- **Leadership**

The Panel is the catalyst for connecting regional innovation and economic demands and framing state-level policies and investments through a bottom-up governance process and collaboration.

- **Vision**

The Panel monitors and interprets the performance of the economy in order to continuously articulate the next California economy and be the catalyst to achieve that vision.

- **Strategy**

The Panel performs on the four cornerstones of 1) “real time” economic data and information; 2) better workforce connections focused on regional industrial clusters; 3) infrastructure investments linked to the next economy; and, 4) a robust state/regional economic leadership network that includes the local Collaborative Regional Initiatives, Workforce Investment Boards, Economic Development Corporations and other groups.

Workplan Strategies

- **“Real Time” Economic Data and Information**

Approve a strategic alliance with the California Workforce Investment Board (CWIB) and the California Employment Development Department (EDD) to 1) continuously examine the economic base and employment patterns of the Panel’s nine economic regions and publish annual *Regional Economic Base Reports*, and, 2) continuously examine industry clusters and cross-regional economic and labor issues resulting in policy recommendations and publish semi-annual *Industry Cluster and Cross-Regional Economic and Labor Studies* under an Interagency Agreement and Memorandum of Understanding between the California Technology, Trade and Commerce Agency and the CWIB and EDD, respectively.

Continuously monitor the performance of the economy and measure state investment priorities that leads towards efficiency, equity and sustainable use of land and resources.

- **Better Workforce Connections Focused on Regional Industrial Clusters**

Approve of a strategic alliance with the California Workforce Investment Board and the California Employment Development Department.

Serve as leader/convener by bringing business/industry, labor, education and training leaders and other regional convener groups together to discuss economic data and information including how the regional economy is changing, occupational mix and wage rates within various industry sectors and educational and skill-set requirements.

- **Infrastructure Investments Linked to the Next Economy**

Develop policy recommendations for the investment of new state bonds for housing, transportation and water in ways that achieve economic, environmental and equity payoffs and more sustainable use of land and resources to support regional economic prosperity.

Lead State government to 1) use available resources in a coordinated and targeted manner to invest in infrastructure that has maximum economic benefit (not invest in infrastructure for the sake of infrastructure); 2) find better investment models such as the Alameda Corridor model for public/private investments and better utilization of assets owned by State government (begin with an inventory of state assets related to infrastructure); and, 3) get beyond localism for infrastructure of statewide significance and demands especially regarding telecommunications/information, intermodal goods movement and water transfer systems and housing.

Convene key decision-makers to 1)

identify new sources of funds and new financing methods; 2) develop a planning driven method versus a project-based or pork barrel approach; and, 3) develop a return-on-investment accountability method, for infrastructure investment.

“Tell the story,” schedule speaking circuits and participate in meetings to 1) voice the critical symbiotic relationship between infrastructure and economic growth and competitiveness; 2) what the universe of infrastructure is; 3) identify elements that are the most critical statewide, regionally and locally, short-term and long-term such as the economic impact of lack of housing on productivity and higher costs; and, 4) further the recommendations in *Invest for California: Strategic Planning for California’s Future Prosperity and Quality of Life* by the Governor’s Commission on Building for the 21st Century.

- **Robust State and Regional Leadership Network**

Create or lead the California Economic Leadership Network that 1) supports regional collaboration through “bottom-up,” statewide public/private partnerships; 2) connects regional innovation to state resources; 3) documents new economic realities that different industry clusters/workers are emerging in each region and groups in regions are collaborating around distinct strategies to support their unique industry cluster opportunities; and, 4) drafts strategies to align state resources and infrastructure with regional industry cluster demands.

Conduct regional forums with groups such as local Collaborative Regional Initiatives, Workforce Investment Boards and Economic Development Corporations to discuss findings from the economic base analyses and how the regional economy is changing.

Addendum VIII

Agenda and Summary of Meeting on December 2, 2002

A g e n d a

December 2, 2002

9:30 A.M. – 12:30 P.M.

California Chamber of Commerce

1215 K Street, 14th Floor

Sacramento, CA 95812-1736

(916) 444-6670

9:30 Welcome

Doug Gordon, Vice President
California Foundation for Commerce
and Education

9:35 Introduction and Purpose

Lon S. Hatamiya, Chair and Secretary
California Technology, Trade and
Commerce Agency

9:40 Monitoring the Performance of the California Economy

Jim King, President
JK, Inc.

Jeanette Miller, Research Program
Specialist
Labor Market Information
Division/Employment Development
Department

Ed Champlain, Research Program
Specialist
Labor Market Information
Division/Employment Development
Department

10:15 Discussion of a 1/1/03 – 12/31/04 Workplan Framework for the California Economic Strategy Panel and Next Steps

12:15 Public Comments

12:30 Adjourn

California Economic Strategy Panel

Summary of the December 2, 2002 Meeting

Background

The following provides a summary of the California Economic Strategy Panel meeting held on December 2, 2002. The primary purpose of the meeting was to review 1) a regional industry employment model using Employment Development Department Covered Employment and Wages data (ES 202 data) for the Panel to use to analyze the performance and changes of the California economy; and, 2) the draft workplan framework for 2003-2004.

Summary of Recommendations

The members of the Panel made the following recommendations.

- Jerold Neuman made a motion for the Panel to adopt the regional industry employment model. Sunne Wright McPeak seconded the motion and the Panel passed the motion unanimously.

Staff was directed to 1) consider additional applications such as employee movement, inter-regional gains and losses, sole proprietors and demographics; 2) consider the value of quarterly versus annual reporting periods; 3) get input from other users and customers; and, 4) report back within six months.

- Staff was directed to re-draft the Workplan that states the urgency for direct and bold actions and incorporate recommendations by the Panel members.

Summary of the Meeting

Monitoring the Performance of the California Economy

- A regional industry employment model analyzing the Bay Area Economic Region was presented to the Panel members.
- The model provides timely, data based information on employment growth and decline by industry statewide and in each of the Panel's nine economic regions.
- The model provides detailed information on high demand occupations by industry and industry trends in employment growth and concentrations.
- The Panel members unanimously voted in favor of adopting the model and directed staff to refine the analytical tool, including additional input from other users, and report back within six months.

Discussion of the Workplan Framework for the California Economic Strategy Panel and Next Steps

- The workplan needs to have an initial findings statement.
- The urgency to advocate and be accountable for investments that impact the economy needs to be made.
- No one is measuring economic performance statewide, by regions, by industry sectors, by industry clusters to anticipate the future.
- The workplan needs to be bold with direct actions.
- The workplan needs to be bold and accountable by offering solutions (not problems or blame).
- The workplan needs to address three principles of equity, diversity and sustainability in its actions.
- The Panel can play a new role as convener for the Governor regarding economic issues by regions and industry clusters.
- Staff was directed to re-draft the Workplan to capture the discussion during the Panel meeting.

Addendum IX



California Works Foundation



November 7, 2002

Edward Kawahara, Ph.D.

Deputy Secretary

California Technology, Trade and
Commerce Agency

1102 "Q" Street, Suite 6000

Sacramento, CA 95814

Dear Deputy Secretary Kawahara,

Having attended a recent Oakland meeting of the California Economic Strategy Panel, I write to applaud the Panel's revival. We and our parent organization, the California Labor Federation take a deep interest in the Panel's work and believe that it can play a vital leadership role in the clear articulation and coordinated pursuit of state economic development goals and strategies. As the Panel moves forward this year in its work, I'd like to take this opportunity to outline why we think growth with equity is the central issue on which the Panel's intellectual vision and policy leadership is urgently needed.

One of the key economic lessons of the 1990s is that growth alone does not ensure improved living standards for the majority of California residents. Indeed, current economic indicators demonstrate that how we grow is just as important as growth itself. Notwithstanding California's strong economic expansion over the past decade, the low-wage labor market has essentially become the permanent economy for 25 to 30 percent of the California workforce. Characteristics of this labor market include poverty-level wages, no health insurance, little or no sick leave or vacation time, no access to unemployment insurance, inadequate child care support, limited transportation options, and the rise of contingent work. It is the growth of this low-wage sector that largely accounts for the fact that California has the greatest gap

between rich and poor of all but four states. Unfortunately, jobs and income data offer little hope that the California economy will spontaneously grow its way toward a more broadly-based prosperity. Indeed, EDD data show that 12 of the top 20 occupations with the greatest numerical growth between 2000 and 2010 pay entry-level wages of less than ten dollars an hour. These low-wage, mostly service occupations require no more than short on-the-job training and offer little in the way of career advancement for California's hardworking families.

If, over the coming decade, we are to grow closer together rather than farther apart, California policy leaders will need to address the fact that the structure of employment opportunities has fundamentally changed. Recent research, for example, has found that California's labor market has become increasingly polarized between low and high-wage jobs, with the state's economy producing roughly equal numbers of both low and high-wage jobs. Not only is this polarization more pronounced in California than in the nation as a whole, it also marks a radical shift from the past, when patterns of job growth were more evenly distributed across low, middle and high wage jobs. State policy must recognize and address this new economic reality. What is needed is a three-pronged approach that turns bad jobs into good ones by setting and enforcing job quality standards, supports life-long skill acquisition and career mobility for individual workers, and targets tax-based incentives and other forms of public investment in ways that rebuild the middle-tier of jobs offering decent wages, health and retirement benefits and move-up opportunities.

Economic policy leadership must also address the serious threats that unmanaged growth poses to California's competitive advantage – threats that will be difficult to overcome without attention to how state and local governments raise and allocate scarce resources for which many critical but competing demands exist. Population

growth will place enormous challenges on state and local governments to improve and preserve the quality of life for all Californians while balancing needs for commercial, agricultural, residential and environmental uses for scarce land. If California continues along its present course, our state will face the unacceptably high costs of sprawling, low-density development and we will be ill-equipped to accommodate the 12 million people that California is expected to add between now and 2020. We therefore join the growing number of voices from the environmental, social equity and business sectors that have said California simply cannot afford another generation of sprawl.

The California Economic Strategy Panel is well positioned to address these issues through the work of its four policy committees. Infrastructure policy should, for example, focus not only on ensuring adequate levels of infrastructure investment but also establishing clear spending priorities to promote more efficient, equitable and sustainable use of land and resources. This should include a range of incentives for localities to pursue more compact and mixed-used development and to promote more transit-oriented and energy efficient development. Workforce development policies should ensure that training dollars support the creation of family-supporting jobs, involve employees in the design and delivery of training programs and ensure broader job access for those who are at the bottom of the economic scale. Economic data and information policies should ensure that policymakers pay at least as much attention to the issue of job quality as they do to job creation. This requires that information be routinely gathered and analyzed on the occupational mix within various industry sectors, the quality of employment being generated, the educational attainment levels for these jobs, and the demographics of employment in particular industry sectors or clusters where job growth is being targeted, supported and promoted. The state also needs a unified approach to its economic development budget so that

policymakers and the general public can better understand and assess state economic development spending and priorities. Finally, governance and regionalism policy should reduce the current fiscal incentive for retail and encourage the regional cooperation that is so essential for more equitable and efficient development patterns and resource consumption.

In closing, thank you so much for the opportunity to comment briefly on what we see as the state's most important economic and policy challenges. We will look forward to working with the Panel in any way we can to advance policies supportive of more equitable development over the coming year.

Sincerely,

Sally Covington

Director, California Works Foundation

cc: Art Pulaski,
Executive Secretary Treasurer,
California Labor Federation

Senator John Vasconcellos,
California State Senate

Tal Finney, Director,
Office of Planning and Research

Doug Brown, Consultant,
Select Committee on Economic
Development

